



Centre for Economic Development,
Transport and the Environment

Russia, China, India Foresight for Small and Medium size Enterprises in Uusimaa

Changes forecast in the Russian, Chinese and Indian
operating environments from the viewpoint of
small and middle-sized enterprises in Uusimaa

Finpro, Jyrki Pöysti

22/2010

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Economic Development, Transport and the Environment

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Esipuhe

Tämä selvitys tilattiin alkuvuodesta 2010 Finpro ry:ltä tukemaan Uudenmaan ELY-keskuksen Viennin uudet horisontit – ESR-osarahoitteen projektin tarpeita. Projektissa alueen pk-yrityksille suunnatut toimenpiteet kohdistuvat kasvaville ja haasteellisille markkina-alueille. Erityisesti Venäjällä, mutta myös Kiinassa ja Intiassa tapahtuvia talouden ja toimintaympäristön muutoksia ja niiden tuomia markkinamahdollisuuksia on syytä havainnoida jatkuvasti: tässä raportissa Uudenmaan pk-yritysten näkökulmasta. Kiitämme kaikkia tähän raporttiin panoksensa antaneita Finpron asiantuntijoita niin kohdemaissa kuin muuallakin ja erityisesti Jyrki Pöystiä, joka on vetänyt yhteen tämän ansiokkaan raportin.

Markku Kauneela

Projektipäällikkö, Viennin uudet horisontit

Uudenmaan ELY-keskus

Foreword

This report was compiled in the beginning of 2010 by Finpro for the Centre for Economic Development, Transport and the Environment of Uusimaa region, to fill the needs of the New Horizons in Export Project, partly funded by the ESF. The Projects' activities are directed to growing and challenging markets. The changes especially in Russia, but also in China and India, should be monitored continuously: in this report seen in the eyes of the companies coming from the Uusimaa region. We thank all assisting Finpro experts, especially Jyrki Pöysti, who compiled this valuable report.

About this report

Foresight process

This report has been made by conducting expert interviews among Finpro's personnel, businessmen, and introducing experts for discussion by using various reference materials as listed at the end of each country section. Interviews and other material received in the first round were summarised and send back to the experts for modifications and editing. The final result represents collective understanding from our experts.

Opinions and information expressed in this report are summary of all opinions received from experts and are not particularly from any specific persons.

This report has been made for companies in South Finland and particularly Uusimaa region. Collected material, way of presentation and structure of the report reflects needs of those companies, and may not be exactly correct for Finnish companies in other regions. Contributors were asked to consider areas that have significant new development and may be relevant to Uusimaa region.

Analysis process

Trends and opportunities found in the foresight survey were matched against exported products and services in Uusimaa.

Practically all (90%+) export companies in Uusimaa were surveyed and classified into sectoral clusters such as 'ICT' and 'Biotechnology', or into a niche cluster, if such cluster was identified. Niche clusters contain all companies in that business area regardless if they are service companies or manufacturing companies. Companies that don't have niche cluster were put into general clusters depending on nature of their operation.

Each company web site was visited to see if the company has product or service with export potential, and also web site in international language - not only in Finnish.

Nature of the product/service was described in few words, based on what the company says on the site. This description was used to define subclusters, such as 'dental' if several companies were making similar products.

Subclusters were then matched in a matrix against the opportunities found in the country. Training need arises from subcluster's need to understand the trend either for existing products or to develop new products to meet the opportunity. Company lists are not included in this report.

Jyrki Pöysti, Senior Consultant, Finpro

SUMMARY

Russia, China and India compared

The state of the economy in the surveyed countries is very different to each other. India and China are growing constantly almost ten percent per year and they even have problems with keeping the growth and inflation low enough, whereas growth in Russia has been almost negligible. However, despite of very weak general economic growth, some regions in Russia, such as St Petersburg and Moscow seems to be doing well. Russian economy is expected to start growing because of increasing oil and gas prices. China is growing fast and there is now danger of economic bubble. Growth in India is better in control.

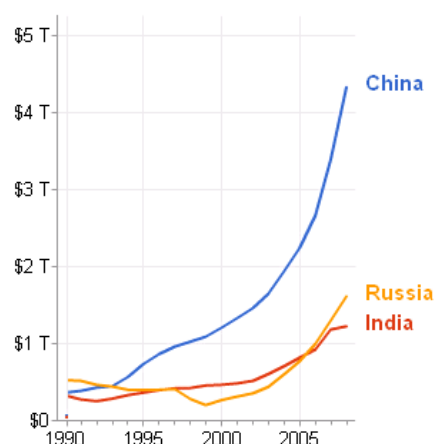
Although India and China are both growing equally fast, the reasons are very different. The leading factor for growth in India is domestic market since export is only 15% of the economy. Around 37% of China's GDP comes from export and 31% from Russia's GDP.

China and India are very different on how they operate on international markets. China is mainly exporting goods, India is internationalizing by creating business networks and investing on overseas operations instead of traditional exports. Also the Finnish business connections with India are growing to networking and cooperation, and this should be kept in mind when creating new training courses. Internationalization does not always mean exports.

All these three countries have fast growing city centres with new and young population that looks for better services and prefers western goods.

One way to compare countries is to look how big the economy is where Finnish companies could get a small slice. Surprising fact is that India and Russia are about the same size, and China is at least three times bigger. Russia is big only on natural resources and land mass.

GROSS DOMESTIC PRODUCT



Data source: World Bank, World Development Indicators - Last updated March 2, 2010, google.com/publicdata

These GDP figures do not yet show dip in Russia's GDP that happened last year. India and China continue to grow. China's growth is even more

impressive because these statistics are calculated on perhaps artificially low Yuan exchange course. The actual growth in China has probably been much bigger.

China's expected to continue exporting physical goods in the near future but the value and sophistication of the goods is expected to grow towards more high-tech products. China is also looking to export more to neighbouring countries such as India and Russia, including major cities St Petersburg and Moscow, and this is expected to become more problem for Finnish companies because they may face Chinese competitors. In theory, one way to counteract this threat is to partner with Chinese in Russia and India, providing Finnish companies are ready to consider such radical move.

Russia will continue to export oil and gas. Exports of other goods are not expected to grow fast in the near future. Russia's industry has still financial problems and is generally in need to refurbish factories. This gives Finland an opportunity to continue export and contribute to development of Russia's industry.

Consumer market in China and India are very different. Although both countries have about one billion people income per capital in China is at least six times bigger and perhaps even more if we account for low exchange rate. Chinese consumers are generally relatively wealthy. In India, the wealth has concentrated on fairly narrow top segment. For small country like Finland that is still more than enough. Markets in both countries for Finnish perspective are limitless. However, in China, the consumer market should be more attractive since the population having large income is much wider which means successful marketing ideas can be duplicated in different parts of the country very easily.

	INDIA	CHINA	RUSSIA
GDP (trillion \$)	\$1,2t	\$5t	\$1,6t
Population	1b	1b	0.14b
Per capita	\$1k	\$6k	\$15k

Tarun Khanna, professor of Harvard Business School, has condensed the difference between India and China into following statement:

“Why is China so much more open to multinationals than India yet vastly less hospitable to its own private entrepreneurs? Why do Indian companies have a far deeper pool of world-class managerial talent than China? Why does the state pervade Chinese business even in the smallest towns, while the key economic catalysts in Indian villages tend to be grassroots self-help groups? And why can Beijing put through sweeping free-market reforms while New Delhi is unable to do so?”¹

China, India and Russia opportunities and Uusimaa export

This survey was looking for following three issues:

¹ Tarun Khanna; Billions of Entrepreneurs: How China and India Are Reshaping Their Futures--and Yours; ISBN: 1422103838; Harvard Business School Press

- Major growth areas and needs in three to five years scope in Russia, China and India, and
- Identify those areas that could be significant export potential for Uusimaa region's companies, and
- Recommend what training should be arranged for companies to help them to benefit from the opportunities?

First part of this report is Foresight vision on future trends in target countries. Only trends that were relevant to Uusimaa region were considered. Uusimaa's export competence was mapped in a separate part of survey in order to understand what trends are important. Opportunities are matched against Uusimaa offering in matrix tables. Future need for training was recommended by considering opportunities against current training available from various sources. A separate section of this report explains what training is currently available.

China

Most important trends in China are movement of young people from rural areas to cities and thus growing middle class of citizens in cities, substantial activities to solve energy and environment problems, and development of central China regions. Healthcare services are weak and diabetes and other national diseases are on the rise. Diabetes could even reach epidemic proportions, according to some reports. The main reason for this, as in many countries, is changing dietary habits because of increasing wealth. China has been known of its high volume low tech industry. The Government is taking actions to develop the industry to more high tech and value added direction. It is expected that China still remains cost effective location for production. Value of Renminbi (Yuan) may increase slightly but not significantly. As result, China can still produce volume goods for export market, and western companies that aspire to get into Chinese home markets, must establish production in China in order to be competitive. Import taxes in China also limit imports of western goods.

China's economy is rapidly changing. GDP is growing over eight percent despite of severe decrease of exports and imports in the beginning of 2009. The continuing growth is explained by fast growth of domestic market. Western companies that operate in China, or are planning to enter the market, should review their business plans because their Chinese subcontractor may soon become subcontracting client, and generally Chinese home market becomes most important in the world. China is already the largest auto market and second largest luxury goods market.

Migration from country to cities is one of the most important megatrends. It is expected that this flow of people will in the future go more to second-tier cities because young people want to live closer to home. Houses are also cheaper than in big cities in East-China. This means that investment activity remains strong but may move at some degree from coastal areas to Central-China. Purchasing power of households is expected still to grow. The Government is directing next development push to more remote areas in West and North that previously have grown slower pace than the East.

Most of the common western companies are already in Chinese market. Western goods are commonly available in many shops in cities, although often with much

higher prices. Competition is therefore high and for Finnish companies, entering the market is as difficult as entering to any other well developed market, with added difficulty of import taxes and unfavourable retail price levels. Particular own problem areas are remnants from the old social and economic structures. Justice system is not independent from political system. Laws are sometimes not very clear and interpretation may be sometimes differing from region to another. Division between public sector and private sector is not always clear. Domestic companies are favoured, although this is not any different to other countries. Regional differences should be recognised when selecting region to set up operation. Distances are real problem if operation has been established in unsuitable place, too far from partners or clients. Climate regions are important. China extends from Finnish type of cold climate in North-East to tropical rainforests in the South, and from deserts and nomads in the West to world class high technology business parks in the East and Central cities.

Summary of major trends and opportunities for Uusimaa region:

- **Movement from country to cities and subsequent increase of consumerism** – Young affluent people who have just moved from country to cities and have good jobs, want all modern goods such as good food, cosmetics and jewellery. Organic products are becoming fashionable. Diabetes and other national diseases are increasing because of dietary changes, and this increases market for functional food.
- **Increasing awareness and actions to improve environment** – industrial goods and services to achieve cleaner production and energy efficiency.
- **Mobile and internet based consumer services, social networking, and business services are growing fast** – particular opportunities may be in internet shopping, either as internet shop, offering goods at internet shops, or related IT technology. .
- **Government's development focus is in the Central China in the next five year plan** – Large development projects need almost everything. First step in provincial projects is mapping and surveying all geographic and natural aspects. Several companies for satellite and remote sensing technologies, land surveying services and equipment are in Uusimaa region.
- **North-East China** offers significant potential area for Finnish companies because climate is very similar to Finland and region is one of the Chinese pulp and paper producing regions. Russian language is also common because many Russians come for shopping and business over the border.
- **Increasing energy efficiency** – one part of China's energy plan is to increase energy efficiency of buildings and industry. Green building products and services are needed as well as energy efficient machinery and equipment.
- **Developing transport infrastructure** – general transport infrastructure projects are often possible only for local contractors but specific niche opportunities for Uusimaa region are railway related equipment. Water sports are also growing leisure activities and development in marina sector is

interesting. Shipbuilding might give opportunities within few years for Uusimaa's subcontractors.

- **China is developing high tech centres** – good possibilities to cooperate with technology and business parks.
- **Healthcare sector is developing** – Uusimaa region has particularly many dental technology companies. In addition, diabetes and other national diseases are increasing and Finland generally has good track records on solving those problems.
- **Cities are developing** – Finnish architecture and wood based construction and interior design are expected to be attractive especially in refurbishing public buildings which should be built on green principles and using energy efficient solutions.
- **Adult education** – exporting educational services from Finland is an opportunity since adult education is at very low level in China, and there is particular need to increase professional skills of labour force, for example to educate Chinese subcontractors in western quality and work practices.
- **Shanghai and its financial sector is growing in South-China** – western banks, insurance companies and funds are increasingly moving their operations to China partly because of Chinese domestic market, for Chinese investors interested in investing into western companies, and for western companies interested to issuing shares on Chinese stock market. Uusimaa region has particularly many financial sector ICT companies, including many in electronic payment and communications security sector.
- **China needs raw materials for industry** – trading sector in Uusimaa region is particularly strong but it has been traditionally focusing on Russia. Trading deals with goods moving from between third countries and is not location specific. As such it is suitable for Finland which excels with communication technology, electronic payments and reliability. Currently, trading houses do mostly only timber trading with China, but there should be opportunities to increase into other raw materials.
- **Connecting electricity networks together in China** – provincial electricity networks in China are mostly separate from each other. Currently, only 8% of the electricity is moved from one province to another. This is serious problem for energy security since occasional demands in other provinces cannot efficiently met with overcapacity in others. In addition, each province must currently build own power plants, sometimes very close to each other on borders. In the future, electricity networks will be connected to each other. As side effect, this creates need to measure and trace electricity movements between provinces, generators and distributors. Uusimaa region has companies that have solutions for electricity trading.

Gaps in the current China training

Later sections of this report explain in more detail of all kind of courses. The selection is generally quite good starting from remote learning to very extensive

courses that include longer periods of stay at the target country. We considered only courses that are open to anyone. Other types of courses are consultancy and personnel development since they are often tailor made for specific company, or otherwise not publicly available.

However, there are some weaknesses on courses available in Uusimaa. Currently, there are no China business culture courses that would be classroom based without travel, similar to what Palmenia arranges in Kouvola. A selection of web based remote learning courses are available from Adulta and AAC, that are very suitable for individuals as first stepping stone. These cannot completely replace classroom training because interactivity with teacher and other students is less intensive on the internet. Some people do better in classroom based learning environment. These countries move fast and old knowledge may be a problem. Teachers should be persons with recent personal experience on business in the target country, and thus persons who can compare business in Finland and target country easily. General advice from people involved with this survey was that courses should be practical, perhaps even more practical than current courses are. It is better to emphasise business similarities than frighten with cultural differences.

Uusimaa region also doesn't have much educational training for university students in business with China in the same way as in Tampere, which seems to be the leading city in economics schooling for China. Of course, Finland is small country, and it is not always sensible to arrange all kinds of courses in all cities. However Uusimaa region could have some evening courses that would offer modules for complete degree, and also be open for people that are not formal university students.

Uusimaa region has China courses that include short trip to China to study the market and make some contacts, and not even close to such many as for Russia. Survey didn't find any particular gap in this type of courses. We expect that the number of China courses are increasing since the interest towards China markets is growing.

Needs to develop future general courses for China

China-MBA course would be interesting addition to the academic level as well as more practical China course that would include one month stay in some incubation centre at target region. Current internet telephone systems and emails would allow Managing Director or other senior directors who participate the course to handle most of the daily management matters in Finland by remote connection.

Many Finnish companies are hesitant because they don't know what kind of business risks there are in China, and how to overcome them. Course that would deal with these matters would encourage new companies to consider China. Similar topics are part of MBA course in Lappeenranta. Those modules include dealing with establishing a company and conducting daily business such as licenses, permits and practices to protect company from IPR problems. Participants to this risk management course should attend first basic market introduction course including working trip to China.

Need for training for future opportunities in China

There are sectoral courses that become important because of the new developments and opportunities, and because of lack of current knowledge:

- marine technology including shipbuilding, subcontracting and developing leisure boating
- architectural services to develop public buildings using Finnish technology and building materials, building automation, and green building.
- how to enter Chinese consumer markets
- internet shops in China, selling goods on web, establishing shops, offering technology
- sectoral: healthcare sector, environment sector, trading
- educational sector, opportunities for adult education in professional development, including exchange of professional and technical students between China and Finland, Possibly also exchange of professional people between Chinese and Finnish companies.

India

India has growing middle-class population that appreciates western goods. Both India and China are expected to have half of the population in middle class by 2025. However, currently China's middle class (35% of population) is double the size of India's middle class (16% of population).

Import taxes restrict western goods entering India's market. European Commission and India are negotiation about free trade agreement that might change the situation. The agreement is expected to be signed in October 2010 but implementation will take few years. There is no FTA being negotiated between EU and China.

India's most pressing problems are industrial and municipal waste both to air and water. The Government is also subsidising fuels for transport and households, food and fertilizer, which has become drain for Government budget, and for petrol companies which must participate to the subsidy costs.

Strongly developing sectors are roads in rural areas, electrification and development of healthcare system. India has fairly large private hospital sector that uses very modern equipment and offers fairly complicated services and operations to 'health tourists' especially from USA where such services are very expensive without good health insurance. Mobile services using 3G is expected to grow fast, as well as internet shopping and related ICT and services sector.

Summary of major trends and opportunities for Uusimaa region:

- **Healthcare sector** – equipment and services to private hospitals, lower cost systems for national healthcare, especially in rural areas, and including telemedicine. Serious national health problems are high blood pressure and obesity, both areas where Finland has good experiences in treating. Other interesting sector would be homecare systems for older or disabled people.

- **Health (medical) tourism** is expected to grow annually at 30%. Estimates of the value of medical tourism to India go as high as \$2 billion a year by 2012. Most estimates claim treatment costs in India start at around a tenth of the price of comparable treatment in America or Britain. Ministry of Tourism India (MoT) is planning to extend its Market Development Assistance (MDA) scheme to cover Joint Commission International (JCI) and National Accreditation Board of Hospitals (NABH) certified hospitals. For Uusimaa, this offers opportunities in modern healthcare and diagnostics equipment sector.
- **Medical diagnostics** sector has around 50 Indian organisations and companies that could cooperate with Finland. At least one operation has already been established in Uusimaa.
- **Food chain from agriculture to consumer** – the food chain is not working very well. There is lot of spoilage and loss because of inadequate cold chain. Food hygiene is also always a problem. Modern packaging equipment, labelling and traceability would solve some problems for high-end food products.
- **3G and ICT** – the Government recently auctioned 3G network bandwidth and got twice the estimated price. Telecoms companies will begin to develop new services to recoup these investments. Interesting digital products and services include social networks and shopping such as music, movies, books, sporting events, mobile TV, mobile learning, mobile games and mobile commerce. 3G operators are regional because no single operator was able to purchase pan-Indian license due to high auction price.
- **Fast developing urban population and growing middle class** – new consumers prefer western goods and can pay for them. Almost half of the Indian population is under 21 and influenced by American media creating curiosity and latent demand. Young middle class consumers are ambitious and save money, but are also willing to spend on small luxuries like Western brands of consumer packaged goods.
- **Solutions for environment problems** – both air quality and water quality are problems everywhere in India. Many solutions should be fairly low tech and affordable to be implemented in large quantities but there is also market for advanced industrial clean technology applications. Specific identified niche areas are air quality monitoring stations which are not available in India.
- **Green building** – In India, green building has become synonymous with environmental responsibility. Many companies seek out certified space because it carries brand value, and green building is increasingly becoming an important component of corporate social responsibility (CSR) plans. Today more than 530 green buildings with a built-up area of over 36 million sq.meters are being constructed all over India.
- **Trading with raw materials** – India's industry needs increasing amounts of raw materials that must be imported. Such materials can also include timber, plastic, paper, and metal scrap. Uusimaa region has long history of trading and transition trade with Russia. Same skills can be applied to goods movements where only the trading company is in Finland. All that is required is trading skills and good contacts both at supply and demand side.

- **India in investing** – Indian companies are increasingly buying foreign companies as strategic acquisitions. Most investments have gone to Asia, Netherlands, and the USA. Interesting acquisition sectors for Indian companies are electronic equipments, chemical and related products, cement and cement products, telecom products, software packages, information technology, construction work, power generation, drugs, pharmaceuticals and mining. For Finnish companies this offers possibility to get investments and also to enter new markets.
- **Adult education** has been interesting for Finnish educational sector, especially in Uusimaa region.
- **Improving electricity network** – India's electricity networks are regional with limited connectivity across the country. India is planning to improve the network connectivity and install remote metering. Fairly extensive remote metering is already installed in Kolkata city businesses.

Gaps in the current India training

India business training is least developed in Finland of all RIC (Russia, India, China). Because increasing numbers of Finnish business delegations are travelling to India, there should be demand for more courses. There is much wider selection of Russia and China courses, and those have more variety. The conclusion is that there could be substantially more India business courses.

India is slightly more suitable for SME companies than China and course offering might reflect this. Topics for SMEs might include business plans, developing customer value proposition for India, and entry and operating strategies in such large diversified country.

Needs to develop future general courses for India

Current India business courses seem to be targeted mainly to export manager/director level. There should be (more) courses for Managing Director level with one month working trip to selected region. Participants in this survey thought that essential subjects would be selecting right operating strategy and method in India, skills to select right partners, recruitment and human resources issues.

Need for training for future opportunities in India

There are sectoral courses that become important because of the new developments and opportunities, and because of lack of current knowledge:

- Environment technology opportunities, including green building
- Health care technologies, national diseases and diagnostics sector
- 3G and internet services and technologies, e-commerce
- Food chain from producer to consumer

- How to get into infra projects

Russia

Biggest challenges for Russia are how to develop domestic industry to such levels that there is less need for importing western goods. This includes developing technology parks for high tech industries. Other focus points for the Government are improvements in energy production, railways, sea ports and airports. Water and waste water works are going to be modernised. Russian cities have also large number of old valuable buildings that needs to be renovated.

Demand for high quality consumer goods is continuing. Particular opportunities are in goods for children, design goods, and in the future, functional food.

Russian companies are increasingly buying outsourced services since it helps to balance companies' budgets in demanding economic situation. One of the reasons is also lack of professional people to employ, for example in ICT sector.

The Government is putting emphasis on developing domestic industry, modernising factories to improve quality, productivity and energy efficiency. Renewable energy sector is also going to be developed with target to achieve western level of 20% from renewable sources. Main focus on improvements in electricity production is building many new nuclear reactors.

Summary of major trends and opportunities for Uusimaa region:

- **Three most important:**
 - Infrastructure projects including oil and gas sector from ships to ecological solutions and water and waste water management in municipalities and industry.
 - Construction sector;
 - Services in Finland for Russians coming for holidays, and partly due to visa requirement to stay substantial part of any trip in Finland. Advanced leisure services and professional education and courses in Finland provided with Russian culture context and language but with Finnish quality and content..
- **Developing oil and gas fields, and other major projects such as Sochi** – construction machinery, trading materials, special materials, metal surfacing, and equipment.
- **Developing water and waste water management** – refurbishment of old water works and pipe networks sometimes done with IFC funding. Good prospects are in renovation of municipal and industrial sewage treatment systems, point of use/point of entry drinking water treatment systems, water pipelines and fittings, marine pollution control and equipment, and water monitoring instrumentation and controls.
- **Healthcare** – particularly equipment and diagnostics, and dental stations. Major customers would be private clinics and hospitals where western company often is owner or joint venture partner.

- **Outsourced services** – outsourcing of B2B services is increasing in companies because pressures to reduce costs. Potential services are cleaning, laundry services, and ICT services.
- **ICT and 4G services** – developing areas are particularly healthcare systems, oil and gas sector, and financial services applications. 4G and broadband internet access are expanding. Mobile companies are looking to increase their service offerings.
- **Mobile and online services and e-commerce** – 4G is starting to develop in larger cities perhaps even faster than in Finland providing that license and approvals are agreed on Governmental level since apparently 4G is also conflicting with military frequencies and interests. E-commerce will start within few years driven by increasing number of credit cards and growing confidence of consumers to virtual suppliers.
- **Energy efficiency in industry** – pressures for cost reductions in manufacturing companies and renovation of old factories creates need for factory automation and energy efficient machines.
- **Technology parks** – New technology parks are being planned and built. Some Finnish specialist property companies are already operating in this sector.
- **Adult education services** – adult education services from Finland to Russia is starting from needs to upgrade professional skills of employees in Finnish owned subsidiaries and subcontractors. This could easily be extended to more general professional courses including courses held in Finland.
- **Russian investments in Finnish SME companies** – significant number of Finnish SMEs with old management looking to retire need new owners.
- **Food products** – this is continuing opportunity, but Finland has a problem of small volumes that make distribution expensive. Import taxes are also fairly high. One solution would be production in Russia, or joint distribution and warehousing for Finnish producers.
- **Civil sector goods for Russian army** – Russian Government has budgeted money for army procurement, also for goods that are normally considered civil sector goods.

Gaps in the current Russia training

Russian business skills' training is very comprehensive also in Uusimaa region and no specific gaps were identified. Training for travel sector operators is almost non-existent but people survey asked didn't see needs for more training.

Needs to develop future general courses for Russia

In the future, Uusimaa should develop courses where young starting Russian entrepreneurs could come to same course together with similar Finnish participants. Training might be sectoral, or it could be advanced business studies

like MBA, and with periods in Helsinki and in Russian cities. It is expected that such courses would create fruitful collaboration and information exchange benefiting participants from both countries, and perhaps lead to new joint businesses.

There are fewer courses targeted for Managing Director and Board level and this was mentioned as serious lack in the current course offering. Finnish and Russian top managers and board members have frequently problems with sharing targets and responsibilities. Also Finnish businesses that don't yet have business with Russia don't have enough skills to identify opportunities and understand risks, and are unable to take action.

In the future, there is need for courses that include longer stay at target location to investigate and try to develop real business cases, including plans and studies such as business plans, value proposition to clients, and brochure in Russian language.

Need for training for future opportunities in Russia

There are sectoral courses that become important because of the new developments and opportunities, and because of lack of current knowledge:

- new Russian 4G network and opportunities in those areas
- to understand and trade with the new Russian company types such as Goscorporations
- decision making process in Russia, especially how it differs between big projects, medium size projects, and small subprojects.
- developing food chain in Russia, organic and functional food, food quality
- offering B2B outsources services
- customer service and service quality in Russia

Need for general non-country specific courses

In many cases the problem for Finnish companies is self-centered view where we consider ourselves as the central reference point and look how other countries are different from us. Instead, one should think first how we in Finland are different, and only after that to think differences between each country, and possible need for country specific training for Russia, China and India, in our case.

Suggestion: Course in general international business skills

This course should explain why and how Finland is different from other major markets. Finnish companies don't often understand this because they think business is business everywhere. However, the Finnish market is fundamentally different business environment because it is so small. As result, many operating strategies are completely opposite.



CUSTOMERS

- Typical problem in Finland is that there are **too few customers**.
- Typical problem in large market is that there are **too much competition**.
- **Solution in Finland:** Company makes the product suitable to many different applications in order to get enough sales to survive.
 - **PRODUCT STRATEGY IN FINLAND- THIN AND WIDE**
- **Solution in large international market:** Company protects itself from competition by making the product so suitable for specific narrow client segment that it is considered as the best supplier.
 - **PRODUCT STRATEGY IN INTERNATIONAL MARKET- NARROW AND DEEP**
- **Problem for Finnish company:** Product made with 'thin-and-wide' –principle is not exactly suitable for anyone, and companies with 'narrow-and-deep' products win.

MARKETING SKILLS

- Typical situation in Finland is that there is no need for marketing because Finland is small and everyone knows everyone else. All, that is needed is to sell..
- Typical problem in large market is that there are so many potential customers that most cost effective strategy is to use marketing efforts to filter out those clients that are right now looking for solutions.
- **Problem for Finnish company:** No marketing skill – not been needed before.

These problems with customers and marketing are very much on top of the list for Finnish companies, and not only in Russia, China, and India, but also in in other big markets such as in Western Europe and USA.

World has also two major business culture types that should be understood. One is British-US so called Anglo-Saxon culture and the other is the one more familiar to us in Scandinavia and Central-Europe. Many legal problems that Finnish companies encounter are results of not understanding this.

Some frequent complaints where the fundamental reason is market size:

- Complains that employees have not their own initiative. Employees request detailed instructions and training, and generally do only what they are told to do whereas in Finland employees do what they can do. In small country we must do many different things, and we have wide based education.
- Complains that, in case of disputes and product failures, courts using Anglo-Saxon law require faulty party to pay also indirect costs such as missed business opportunities. This is typical complaint in India but the same applies also in other regions including UK, and USA, and is only fact of life.
- Complains that employees stay only short time before moving to new job. This is again feature of big market where employee can easily find new job within the same city, and often in the same industrial district. This makes moving job very easy compared to Finland where new job usually means moving from one city to another. There are some limited measures that can be used to make employees more faithful, with limited effect.

Suggestion: Course in practicing negotiations

Finnish business leaders would need courses that include practising negotiation sessions on commercial agreements and pricing. Such practice sessions should use local (Russian, Chinese, Indian) negotiation counterparts because many

negotiation issues are so deep in culture that foreigner can not understand or teach it. Examples of cultural differences are flexibility of time, money (agreed amount is not agreed amount), flexibility of contract terms (agreements can be renegotiated), and sometimes also moral flexibility. To make sessions interesting, negotiating parties should have tokens of some value to play with.

Suggestion: IPR, copyright and grey imports

All these are areas where Finnish businesses don't have any experiences in Finland. The course should cover both legal issues and offer practical experiences from other Finnish companies that have found workable solutions.

Suggestion: Identifying new product development opportunities

Fast developing business environment in Russia, China and India are so much different that Finnish companies have problems of identifying nice areas where they might have business potential.

Such course should contain also issues companies are facing if they try to manage joint research projects with local partners, and generally, management of R&D projects since is not one of the strong points of many companies.

CHINA - OPPORTUNITIES FROM TRENDS & FORESIGHT SURVEY

■ Yes, ■ Possibly

REGION UUSIMAA EXPORT COMPETENCE MAPPING

What Uusimaa can offer to export market (number of companies in brackets):

Marine, shipyard, leisure, marine IT solutions
Healthcare, pharm and bio mfg, dental, nat diseases
Food for affluent urban pop, production, funct. food
Public buildings, Finnish architecture and materials
Mobile and online growth, apps for private use
Travel and leisure
China solving enviro problems, Finnish solutions
Education to professions, dietary, mfg
Recycling and reuse of industrial materials
Developing Central China – mapping, surveying
China towards high-tech
China developing new incubation centre network
Green Building technology
Financial sector developing in South China
China needs raw materials, timber trading
Urbanisation, high-end consumer goods
Towards energy efficiency

BIO, HEALTH, PHARMA

■ **Dental** (6) – X-ray, chairs, treatment units

■ **Drugs** (3) – General (Orion, Bayer, Fermion)

■ **Equipment** (10) - Diagnostic eq, imaging equipment, mobile health care units, patient monitoring systems, edema treatment eq, eye diagnostics instruments, brain mapping eq, physioacoustic chair, hospital consoles

■ **Bio services, subcontracting mfg** (8) - Pharma chemicals, technology transfer services for healthcare, pharma packaging, hospital services, occupational health services, food supplement capsule contract dev & mfg, trading hospital accessories

■ **Bioactive materials** (6) - Mfg industrial enzymes, active pharmaceutical Ingredients, monoclonal antibodies, manufacturing industrial enzymes, functional food ingredients, vitamin mfg

■ **End user related** (9) - Medicine wheels, diagnostic test eq, homes & professional use, pincettes, care eq for elderly, electronic health reporting devices, occupational wellbeing services, assisting devices for physically challenged, telecare, reminder sw

■ **Lab tools** (7) - Immunoassays, lab instruments, disposable eq for hospitals, lab. quality control, lab glass, diagnostics assays for infectious diseases, diagnostics solutions

■ **R&D** (4) – Various medical research, food protein process R&D

LOGISTICS

■ **Special logistics services** (8) – waste, cars, animals, air freight, thermologistics, oil, retail group internal logistics service, India freight, France freight, Russian freight, railway cargo, port and loading services

■ **General logistics** (46) – shipping, road, rail

CONSUMER GOODS

■ **Foods** (20) - alcoholic drinks, food ingredients, bakery, foods, coffee and spices, frozen foods, confectionery, grain trading and dough and flour, smoked salmon, organic foods, cooking oils, bottled drinking water, energy drinks, water

■ **Cosmetics** (4) – (Lumene, Berner, Vivisante, Nalac)

■ **Clothing** (8) - Textiles, furs, bags, sports clothing, children clothing

■ **Interior** (18) - furnishing, sauna ovens, kitchens, lamps, furniture protection chemicals, mattresses, design cutlery, shower rails and walls, home safety equipment, docks and jetties

■ **Jewelry** (4) – (Lapponia, Kalevala, Ibero, Kaipaus)

■ **Sports goods** (4) -, fishing lures, compasses and hearth monitors, clay targets for shooting

■ **Retail** (17) - PVC mats, sauna accessories, household goods, safety belts and child seats, retail, paints, plastic goods, diapers and hygiene products, Christmas decorations, filing systems, mulch for gardening, car radiator sealant, brushes

MANUFACTURING

■ **ICT related equipment** (34) - antennas, sawmill machinery and measurement ICT, power supplies and batteries, testing eq, RFID, farm electronics, electronic components, cameras, high tech instruments for satellites, headsets for security services, railway electronics, screen for sports events, monitoring, GPS, fire and safety

■ **Machinery and machine components** (39) - industry control and measurement (9), paper making related (6), warehousing (3), sawmill (3), meat processing, drilling rigs, machine drives (4), sheet metal fabrication, CNC, melting and heat treatment ovens, hydraulic

■ **Cables** (6) – Cables, pipes, marine cables, fibre optic mfg, interior cables

■ **Electromechanical goods** (6) – switches, relays, electric motors & drives, cabling suppl.

■ **Energy production equipment** (6) – wage el generator, bioenergy & steam boilers, plants

■ **Marine** (10) – inflatable & high-tech boats, pontoons, catering, eco location, evacuation

■ **Logistics & packaging** (8) – trucks, cranes, packaging, roll containers, freight managem

■ **Small industrial components** (19) – aluminium trays, pipes, cutting tools, sprigs, tanks

[illegible]

INDIA - OPPORTUNITIES FROM TRENDS & FORESIGHT SURVEY

■ Yes, ■ Possibly

REGION UUSIMAA EXPORT COMPETENCE MAPPING

What Uusimaa can offer to export market (number of companies in brackets):

BIO, HEALTH, PHARMA

■ **Dental** (6) – X-ray, chairs, treatment units

■ **Drugs** (3) – General (Orion, Bayer, Fermion)

■ **Equipment** (10) - Diagnostic eq, imaging equipment, mobile health care units, patient monitoring systems, edema treatment eq, eye diagnostics instruments, brain mapping eq, physioacoustic chair, hospital consoles

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■ **End user related** (9) - Medicine wheels, diagnostic test eq, homes & professional use, pincettes, care eq for elderly, electronic health reporting devices, occupational wellbeing services, assisting devices for physically challenged, telecare, reminder sw

■ **Lab tools** (7) - Immunoassays, lab instruments, disposable eq for hospitals, lab. quality control, lab glass, diagnostics assays for infectious diseases, diagnostics solutions

■ **R&D** (4) – Various medical research, food protein process R&D

LOGISTICS

■ **Special logistics services** (8) – waste, cars, animals, air freight, thermologistics, oil, retail group internal logistics service, India freight, France freight, Russian freight, railway cargo, port and loading services

■ **General logistics** (46) – shipping, road, rail

CONSUMER GOODS

■ **Foods** (20) - alcoholic drinks, food ingredients, bakery, foods, coffee and spices, frozen foods, confectionery, grain trading and dough and flour, smoked salmon, organic foods, cooking oils, bottled drinking water, energy drinks, water

■ **Cosmetics** (4) – (Lumene, Berner, Vivisante, Nalac)

■ **Clothing** (8) - Textiles, furs, bags, sports clothing, children clothing

■ **Interior** (18) - furnishing, sauna ovens, kitchens, lamps, furniture protection chemicals, mattresses, design cutlery, shower rails and walls, home safety equipment, docks and jetties

■ **Jewelry** (4) – (Lapponia, Kalevala, Ibero, Kaipaus)

■ **Sports goods** (4) -, fishing lures, compasses and hearth monitors, clay targets for shooting

■ **Retail** (17) - PVC mats, sauna accessories, household goods, safety belts and child seats, retail, paints, plastic goods, diapers and hygiene products, Christmas decorations, filing systems, mulch for gardening, car radiator sealant, brushes

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■ **Logistics & packaging** (8) – trucks, cranes, packaging, roll containers, freight managem

■ **Small industrial components** (19) – aluminium trays, pipes, cutting tools, sprigs, tanks

Health tourism, private hospitals
National/rural healthcare, nat. diseases control
Diagnostics
Homecare for elderly & disaled
Food chain improvements, packaging, cold chain
ICT, 3G; social groups, video on demand, banking
E-commerce and e-payments, internet shopping
Urban living, travel to Finland, high value goods
Green building energy efficiency, infra building
Industry energy efficiency and energy solutions
Renewable, biofuels, small energy solutions
Power plant efficiency, el network, smart metering
Raw material trading services
Educational services for professional development
Industrial and B2B services
India as gateway to other countries in Asia/Africa
Indians as investors, R&D cooperation
Waste management, solid, air, industrial

[illegible]

RUSSIA - OPPORTUNITIES FROM TRENDS & FORESIGHT SURVEY

■ Yes, ■ Possibly

REGION UUSIMAA EXPORT COMPETENCE MAPPING

What Uusimaa can offer to export market (number of companies in brackets):

BIO, HEALTH, PHARMA

- **Dental** (6) – X-ray, chairs, treatment units
- **Drugs** (3) – General (Orion, Bayer, Fermion)
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LOGISTICS

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- **Energy production equipment** (6) – sewage el generator, bioenergy & steam boilers, plants
- **Marine** (10) – inflatable & high-tech boats, pontoons, catering, eco location, evacuation
- **Logistics & packaging** (8) – trucks, cranes, packaging, roll containers, freight managem
- **Small industrial components** (19) – aluminium trays, pipes, cutting tools, sprigs, tanks
- **Rubber & plastics & materials** (12) – mats and parts, special tyres and plastics, metals
- **Small professional goods** (8) – garage eq, industrial & airfield lighting, safety nets for avi

Improving health services, occupational health
Developing Russian industry
Developing Russian high tech industry
Renovating buildings, water, sewage
Outsourcing B2B services
Urban population, retail, consumer goods, food
Major projects and goscorporations
Trading
Energy efficiency
4G and software
Training
Improving roads, rail, airports, oil & gas

China Foresight Country Report

Economy

China's economy is expected to grow 9-10 percent in 2010 with exports making big contribution. China has high targets in carbon intensity and this means that China must restructure industry away from current industrial development and heavy industries which are energy and resource intensive.

European Union is China's top trading partner with 16.4% share of China's total imports and exports. Japan is the most important source for imported goods, while the EU is close second. Long term trend has been imports from the EU growing and all other major trading partners declining.

Next Five-Year Guideline 2011-2015

The Government has Five-Year Guidelines for directing public investments and country's development. Cities and provinces also have own targets and policies. Government is guiding private sector with subsidies, tax reductions and assistance.

Carbon-intensity is likely to be compulsory target in the China's 12th five-year plan 2011-2015 (now officially called The Twelfth Five-Year Guideline). Carbon-intensity constraint issued in the plan would be a very important target which will have great impact on China's social and economic development in the future.



² Regionally, the 12th five-year plan is expected to put lot of focus on developing Western China. (West China, in practice, means provinces and cities in Central and Western China, mainly in provinces shown in the map.)

² Source: Map; public domain / Finpro

The government will give big boost especially to Sichuan, Chongqing and Shaanxi, three provinces in west China, "The Western Triangle Economic Circle". The three cities Chongqing, Chengdu and Xi'an would play a leading role. All sectors from high-tech to mining are expected to be developed. West China development policy means, for example, loans to the region, and to develop gas and oil facilities.

It is expected that quality of Chinese work and products will increase. China is now where Japan and Korea were tens of years ago (lower quality, low labour cost, copying, and trying to develop its own high-tech industry). Chinese government is already discouraging the export of low tech goods, and encouraging high tech export by giving certain export duty incentives for high value added products.

Cheap low tech production to West employs low and medium skilled workers who move from rural areas to cities. Unemployment of academic educated people is also major problem for the government and development of high tech industry is expected to help.

Low cost volume manufacturing will move to central and western China. High-tech industry will also develop in Eastern China but there will also be R&D centres in Central China.

Chinese government has designated 20 cities as outsourcing hubs in an effort to attract more international investment. China has now around 650 business incubator locations and will establish several hundreds more until 2015 in order to boost high-tech industry. These are expected to employ 26000 people. Companies locating into parks will get subsidies, tax reductions, tax free years, reduced customs duties, park resources, etc.

Government's new 'Buy Chinese' policy issued in mid-2009 is intended to develop home market. It is a part of economic stimulus package for Chinese companies that have suffered in economic downturn.

Beijing has banned all local, provincial and national government agencies which are participating in stimulus projects from buying imported goods, except in cases where no local substitutes exists. This preference policy is not any different from public funding and procurement policies in Europe, except this is a new policy in China. China has CCC marking in the same way as Europe has CE marking. This means, in practice, that exporters are not likely to benefit from the stimulus packages directly, because local companies will get most of the deals.

During the economic downturn, the Government has sharply expanded three programs to help Chinese exporters, giving them larger tax rebates, more generous loans from state-owned banks to finance trade, and more government-paid travel to promote themselves at trade shows around the world. There also seems to be cutbacks in enforcement of intellectual property laws stemmed in part from policies aimed at temporarily reducing the regulatory burden on Chinese businesses.

China's top ten priority industries are: light industry, automotive industry, iron and steel, textile, equipment manufacturing, shipbuilding, petrochemicals, non-ferrous metals, electronics and information and logistics. China is looking for foreign

investments for priority industries but prefers them to be developed with Chinese money, or with joint ventures.

Priority light industries include paper manufacturing, home electronics and plastics; home electronics throughout rural communities; and food safety.

The Chinese Government directly subsidizes greentech providers and adopters in areas like New Energy Vehicles, Building-Integrated Solar Photovoltaic Systems, Wind Turbines and Biomass Power Generation, which has temporary electricity tariff increase by 0.1 Yuan/kWh.

China is today the world's third largest importer of raw materials. Security of supply both in raw materials and food will become much more important. Expansion in value chain to raw material production will help China to protect from rise in raw material prices. Chinese companies will increasingly look acquiring western companies. China has already invested into Africa (20b\$) and Latin America for raw materials and resources.

In short term, monetary policy in China will be tightened; banks may have been too liberal to give loans for industry restructuring, construction, and mortgage loans. Chinese have lot of cash savings (40%) but housing mortgages and fast rising house prices in western China may lead to bubble. House and property prices rises have been modest, but recently it was 6% in one single month. Inflation target is 3% but inflation has occasionally been up to 7% during last few years, which leads to speculation that monetary policy will be tightened. This acceleration of inflation is seen as a big threat.

New foreign investments into China are expected to continue in the future. The growth in FDI has slowed down and 2009 was estimated to be the first year when outgoing FDI from China was larger than incoming FDI to China. As a comparison, FDI to China is still almost 3 x bigger than FDI to India.

Most western investments (73%) are into WOFE companies (Wholly Foreign Owned Enterprise). Particular growth areas for foreign investors would be services such as insurance, bank, telecoms, transport, high-tech industry and R&D. Also investments into work intensive industries such as shoes and textiles is expected to grow, but focus will move to central and north China because of lower costs and growing internal markets.

Purely export oriented low tech industry, such as wooden hardwood furniture manufacturing, is on the move from China to lower cost countries such as Vietnam.

Finnish companies in China

In 2008, around 260 Finnish companies operate 350 legal entities in China (among them there are almost 100 manufacturing operations), employing more than 57.000 people, with total of 9600 m€ turnover. Finnish companies operate mostly in electronics sector, ICT, and machine manufacturing. Most Finnish companies are located in coastal areas, traditionally in Beijing, Shanghai, and Pearl River region around Guangzhou (Canton).

Finnish services sector exports to China (2007) was 557 m€, coming mostly from royalty and licensing fees, building services and IT services.

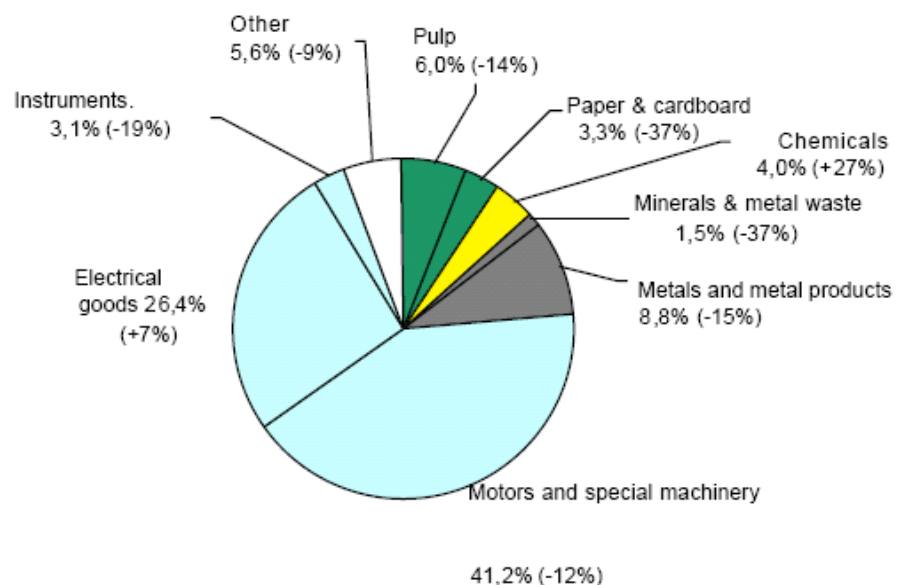
In spite of China's focus on Central and West China, Finnish companies have not yet looked too often those areas because growth is fast also in coastal East China where business environment is easier, and processes of setting up business are more developed. However, competition in eastern and coastal areas is severe. Cost and salary level are rising rapidly, and it is foreseen that more and more investments will go to western and central China. Many companies which are already established in China will find the second and third locations in these inland 2nd and 3rd tier cities.

Future opportunities for Finnish companies are expected to be in energy and energy efficiency, construction and infra, renewable energy, environment technology, food and agriculture sector including food distribution chain and packaging; biotechnology, ICT, products and services related to leisure services, and arctic building technology. China has good opportunities for life sciences companies, but Finland might not have too much to offer. Food safety is a big issue in China which will create opportunities in tracking and labelling and related RFID and software solutions.

Most Finnish companies that manufacture goods or components in China are doing it for local Chinese markets. There are few exceptions, such as electronics industry, which are getting the media's attention when they move operations out from Finland for cost reasons. Global sourcing operations are becoming business as usual among MNC's in China.

The biggest hype is over, but new Finnish companies are still moving to China. Companies that already are there are expanding fast. Increasing number of employees are Chinese and only 1-2% are Finnish.

Finnish export to China v. 2009 (1-6)



3

Future potential opportunities for Finnish companies identified in this study are:

- Shipyard machinery, IT for seaport and logistic management system

³ Source: Tullihallitus; 2009

- Leisure water sports; Marina consultancy, manufacturing consultancy / joint venture, Marine infrastructure, Marina facilities and equipment, Boating education and training
- Dental equipment
- Healthcare; pharma and bio manufacturing technology
- Food production and transport technology; functional food
- Architectural and design services for public buildings; new designs and planning approaches, optimized construction techniques, sustainable materials, wood materials
- Travel services for Chinese coming to Finland
- ICT; outsourcing and business process outsourcing services, application securities, mobile applications, mobile communication value added services, e-banking and transaction security system, e-signature, authentication and identification system,
- Environment technology; monitoring, water, air
- Forestry related machinery
- Manufacturing automation
- Wood construction
- Satellite location, survey and mapping
- Treatments for national diseases
- Private and listed equity finance for game developers
- Food and diet education services
- Recycling in industry and reuse of refuse material
- Landscaping architectural design
- Wood materials – thermo wood, impregnated wood, laminated wood
- Wood processing/woodbased board machine/technology
- Energy efficient technology/solution for buildings
- Surveillance/monitoring/scanning systems for airports, railway/bus stations, metro, and public areas
- Wellbeing and health care for aging population groups
- Construction machinery
- Food safety testing devices
- Northern provinces in China where the climate is similar to Finland have many opportunities for building and paper related industries.

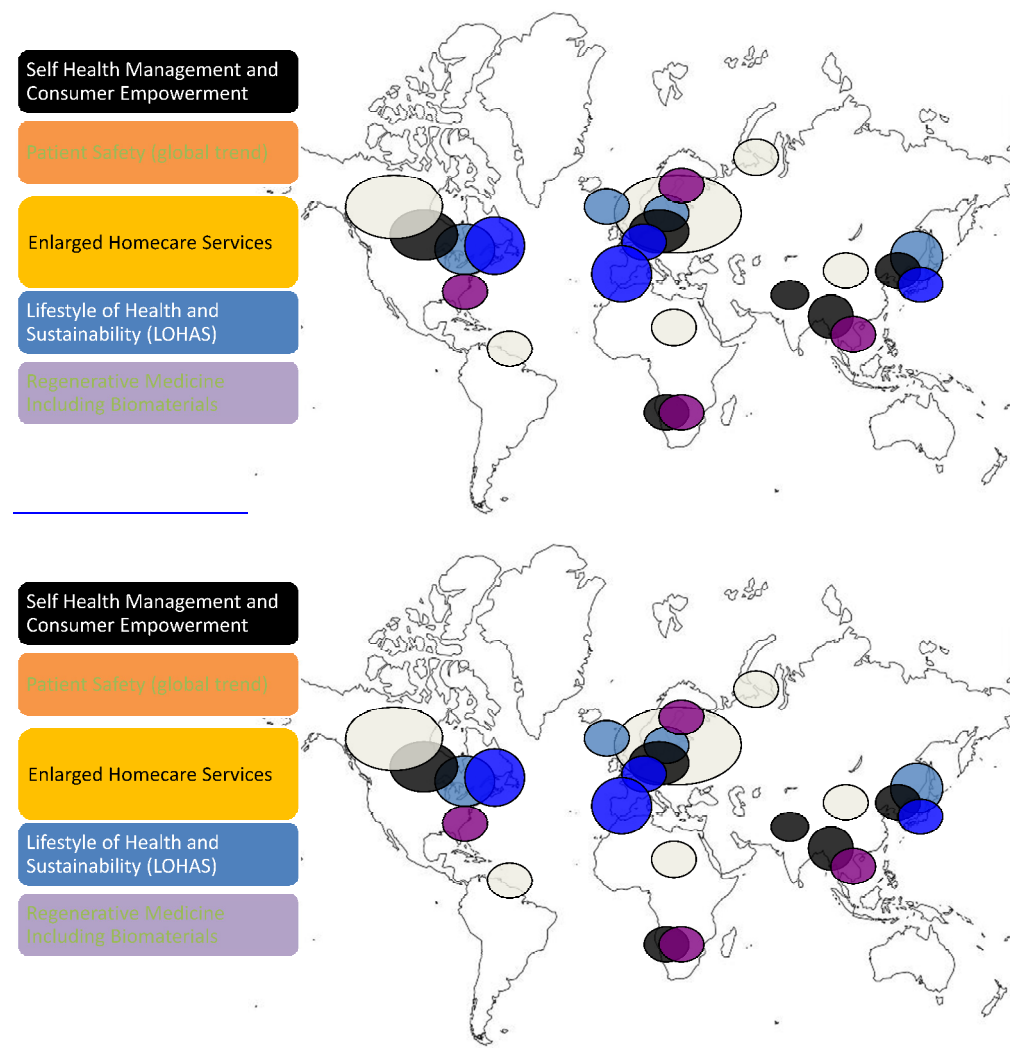
Healthcare, pharma, biotech

Healthcare in China works basically on the same principles as in the US – i.e. based on private interests and abilities, and not as public national service. In 2015

it is estimated that 10% of population will be over 65. Healthcare market is concentrated on East China to Shanghai, Beijing, and Guangzhou.

Government has had pilot projects to improve availability of health care in rural areas. The reform project has returned mixed interim results. Patients are pleased that they do not have to pay as much as before and authorities have said that costs are lower than anticipated. However, there have been operational difficulties and fears remain over people abusing the system. BMI (Pharmaceuticals Industry Trends) believes that the new approach will be replicated and will result in a significant boost to the health insurance sector over the medium term.

China's pharmaceutical market has barely been affected by the global economic downturn and is expected to grow 16% at least to 2012.



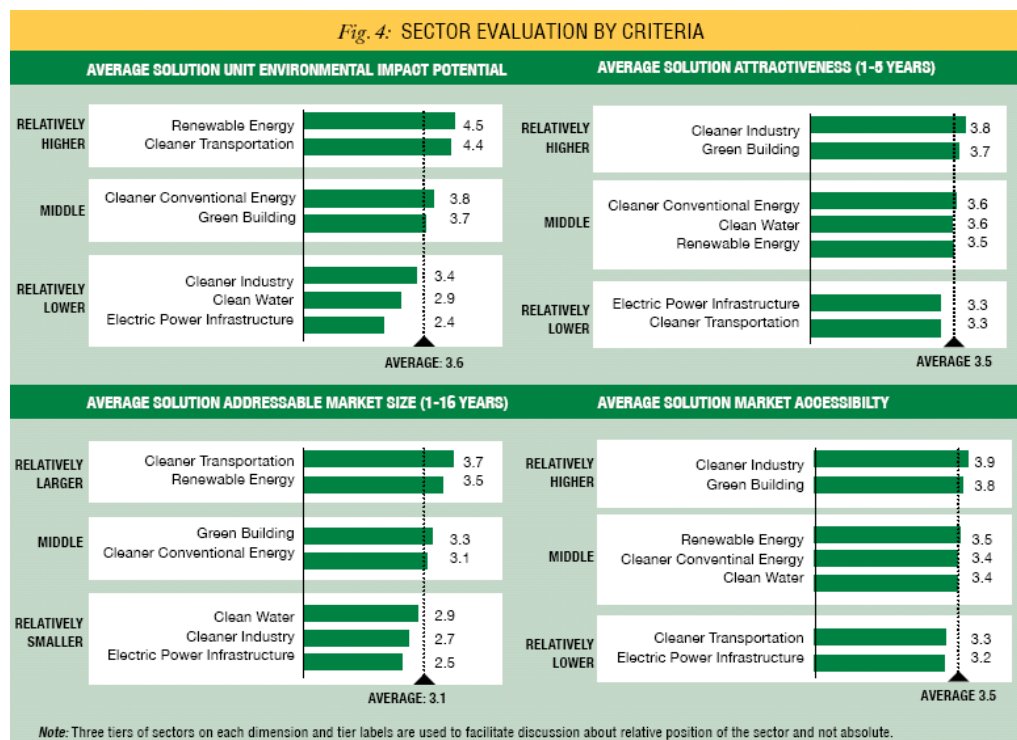
Finpro: Health and wellbeing: Opportunities linked to World markets (Hot spots)

Environment industry

Environmental situation has improved in China and process is expected to be fast. Industry moves from polluting production to cleaner production by closing old factories and power plants.

Polluted Air

China is now the world's largest emitter of greenhouse gases (GHGs), responsible for over 20% of annual CO₂ emissions from the burning of fossil fuels, although emissions per capita are still low relative to most developed countries. Eighty percent of these emissions come from burning coal, China's predominant energy source. China's air quality also suffers from other pollutants, such as particulate matter, which have negative health effects



Green China: In next 1-5 years, the average attractiveness of different green industry sectors.⁴

Strained Water Resources

China faces the dual problems of water scarcity and pollution. With 20% of the world's population, China has less than 7% of the world's fresh water resources. The country's water resources have declined due to high demand, inefficient use and decreasing natural supplies. Moreover, water pollution has seriously impacted water quality throughout the country.

Important development areas are waste water treatment, clean drinking water (only bottled water is used in towns).

In the middle tier in the future opportunities are Clean Water solutions that address water shortages and pollution. Clean Water sector has a large number of solutions that technologically are relatively mature or rapidly emerging, but not yet economically competitive in China.

Government plans to 100b€ in next five years (2011-2015) to improve water management, including 8b€ for building new waste water management plants.

⁴ China Greentech Initiative focuses on seven most important sectors in their report – Cleaner Conventional Energy, Renewable Energy, Electric Power Infrastructure, Green Building, Cleaner Transportation, Cleaner Industry and Clean Water. Source: The China Greentech Report; 2009

Land Degradation

Forces degrading China's land include desertification, land contamination from waste landfills and hazardous waste. For example, almost half of official landfills in a recent study were found to not comply with China's environmental standards and e-waste from the recycling and dumping of used electronic products is a major issue.

Waste management technologies

Recycling is working in China but in different ways than in west. Private entrepreneurs buy waste from consumers at suburban districts. Any waste that has any monetary value is not sent to landfills. Opportunities exists in Waste Collection; Waste Recycling; Energy from Waste Recovery; Waste Treatment, Sustainable Waste Disposal, Solid waste processing, Waste water treatments, Water supply system, Infrastructure

ICT

Education in engineering in China is good, and relatively low cost, and qualified people are available. R&D in many universities is also at top level, and universities have joint projects with western universities and companies.

Software hubs in China



5

3G

Chinese operators are biggest in the world. Current mobile usage is voice. Large numbers of text messages are sent using pre-paid phones. Value added services are still on the horizon.

China announced in May 2008, that the telecoms sector was re-organized and three 3G networks would be allocated so that the largest mobile operator, China

⁵ Source: Public domain / Finpro

Mobile, would retain its GSM customer base. China Unicom would retain its GSM customer base but relinquish its CDMA2000 customer base, and launch 3G using the globally leading WCDMA (UMTS) standard. The CDMA2000 customers of China Unicom would go to China Telecom, which would then launch 3G on the CDMA2000 1x EV-DO standard. This means that China would have all three main cellular technology 3G standards in commercial use. Finally in January 2009, Ministry of Industry and Information Technology of China has awarded licenses of all three standards, TD-SCDMA to China Mobile, WCDMA to China Unicom and CDMA2000 to China Telecom.

Many MNCs such as Microsoft, Nokia, IBM, Ericsson, Motorola, Oracle, Panasonic, eBay, HP, Dell, Intel, etc are setting up R&D centers in China, especially in Beijing. There is market demand for mobile devices, equipment, services and applications. Finnish companies could find opportunities particularly in mobile software and hardware applications. Charging for value added mobile services is a problem, and any services should be developed jointly with Chinese experts and be fun and entertaining, and/or have social networking aspect.

Shanghai will take more and more global development responsibilities. Local companies are mainly focusing on application software development, for example, CRM, ERP, e-government solution, e.g.

Embedded software is growing fast in China due to the fast developing Chinese manufacturing industry especially in home appliance, telecommunication equipment, automobile sectors. The local manufacturers are also become important software companies in China, such as Haier, Hisense, ZTE, Huawei, etc.

Competition is getting more intense, especially in management and finance software sector, and industry software sector also for domestic companies.

Best strategy may be to set up own R&D centers, or acquire activities. China has plenty of local talent with low labor cost, and also own local R&D center could help foreign companies quickly enter China market.

Computer games

Over 210 million Chinese people play online games. China's rise is driven by a booming domestic market and is increasingly controlled by domestic companies. Outsourcing game development to China is significant opportunity but IPR problems exist. There is some interest in Finnish game sector to go to Shanghai where is, for example, Shanghai Digital Media Outsourcing Alliance.

China is expected to become 3rd or 4th most competitive computer games development region with particular strength in technical strength of talent pool, work cost, and experienced developers in online game.

There is a range of bilateral assistance available from local government (especially Shanghai) to help with office space and recruitment costs, and strong access to private and listed equity finance.

IT in financial sector

Electronic banking and payment systems will become important. China has internet banking but some invoices can not be paid electronically.

Shanghai will rise as important financial centre in addition to Hong Kong. It is expected that many western banks, funds, and insurance companies will set up operations there after China joined WTO and foreign banks were allowed to set up subsidiaries. In short term, opportunities in financial IT may be more in western financial institutions operating in China, than in serving Chinese banks.

There are possibilities for more electronic and plastic payment methods instead of notes because e-payments are subject to less forgery. All big cities have electronic payment cards for underground, taxes, buses, kiosks. RFID tags are coming in few years. Automatic Teller Machines (ATM, Bank automates) have increased fast for payments, cash deposits, and withdrawals.

Finland (and Uusimaa) has been leader in adopting various payment and security cards for ID and public transport purposes.

Location information IT systems

The 12th five-year plan will develop central/western China. Such development efforts start with good location information, mapping, and surveying. Major infrastructure development require surveys, maps and measurements that are normally done with IT, surveying, mapping information systems, and satellite photo analysis.

Many companies in Uusimaa have world-class experiences on analysing satellite photographs, mapping, setting up weather and other services that are needed in fast developing regions. Location information may however be strategically sensitive area and problem to let foreign companies to handle.

Online shopping

A total of 130 million consumers shopped on the Web in China in 2009, and they reached a transaction volume of CNY 267 billion. Web shopping sale increased by 90.7% each year, and reached 2.1% of the nation's total retail sale of consumer goods. The top three best-selling commodities were clothing, digital products, and cosmetics. Web shopping penetration rate still stayed at a lower level, compared with those in developed countries in the world.

Miscellaneous

IT services sector in China is growing 18% annually and is estimated to grow twice the India's rate, and double in size till 2013. Main sector is outsourced services which are estimated to be 30% of IT sector. Main client base is in Japan and in other Asian countries, but Chinese outsourcing companies are looking to increase business in the US where providing IT for healthcare sector and invoicing services are attractive.

Finnish ICT companies are strong in mobile and embedded software sectors, which could help them to act as innovation consultants to provide innovation services instead of finished products.

Opportunities exists in the future in IT outsourcing and business process outsourcing services, seaport and logistic management system, network applications, application securities, mobile applications, mobile communication

value added services, e-banking and transaction security system, e-signature, authentication and identification system, 3D survey and design system.

Communication problems

Government's control of internet traffic over the border makes connections slow. Inside China internet work reliably and fast. Internet connections to Europe are periodically very slow also because of traffic congestion. Connections to USA are generally much faster. ASP services from Finland to China may be affected.

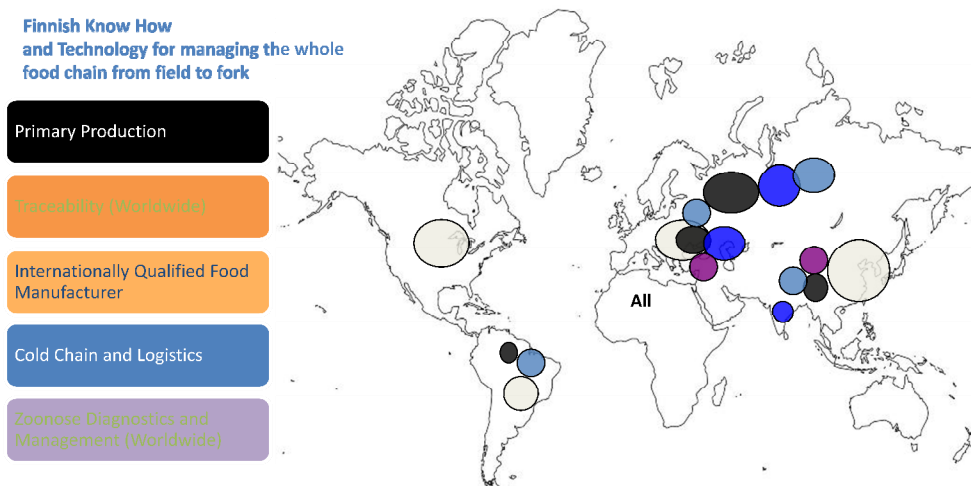
Food

China is self sufficient in food production but food safety is a major issue. Food safety solutions are listed in Government's light industry's priority development areas.

Functional food

People are starting slowly to pay attention to clean food but still more rarely to organic food and functional food. The situation may improve in the next years. Low fat, low calories and food for reducing blood pressure and cholesterol will become more recognised. Milk has become very popular and is advertised in many places, partly for health reasons.

These take lot time to penetrate to the common people. Many traditional believes still exist and are transferred from generation to generation. The basic education is yet to concentrate on this issue.



Finpro: Food: Opportunities linked to World markets (Hot spots)

Young population is moving to cities (estimated 300 million people moving in next 15 years). Their income is increasing and they prefer to buy higher quality foods such as meat and fresh vegetables. Distribution and cold chain transport becomes more important. Uusimaa has a number of software and other companies having logistics solutions.

New and better packaging is needed. Food must have traceability (remembering recent milk problems). Better logistics means reduction of cost and carbon footprint. Energy efficiency is one of the Government's focus areas. one

measurement for energy efficiency is food package's carbon footprint on shop shelf. Traceability and carbon footprint labelling require software and hardware solutions. 'Maatalouden tutkimuskeskus' in Uusimaa is the leader in know-how of carbon labels in food packages.

The infrastructure of Chinese cold chain logistics is weak, short of standards and has shortage of supervision. Food spoilage rate is high especially in vegetables and fruits, which adds the operation costs for the supermarkets. Standardization Administration of PRC approved and has set up national standardization organization for the cold chain logistics in 2008.

Consumer goods

Fast growing urban population which are often young people coming from countryside are looking for new consumer products. Many western suppliers are on the market and competition is high but with good partners it is still possible to enter on niche areas.

China represents one of the most dynamic and untapped cosmetics and toiletries markets in the world. This market is the 2nd largest in Asia-Pacific region after Japan and seventh largest in the world. Although the market had an impressive growth, the country still has high growth potential and is far from saturation level. Skincare dominates the overall cosmetics and toiletries market. Other segments like hair care, colour cosmetics, fragrances, etc have also experienced double digit growth over the recent years. Chinese cosmetics and toiletries market revenue will surpass 31 US\$b by 2013. Besides, the growth projected for the market during 2010-2013 will be the highest among the major Asia-Pacific cosmetics and toiletries markets.

There are plenty of international brands seeking to grow in China, but with new markets in lower-tier cities opening up it is possible that Internet shopping may offer new innovative solution. Nokia recently agreed a deal to open an online shop on Taobao, following a similar arrangement by Uniqlo in March. There are already 3,000 online stores on Taobao's business-to-consumer platform, with fast moving consumer goods, clothing, digital products and cosmetics the top four categories. Companies like Dell, Lenovo, Hewlett-Packard, Yili, Mengniu and Midea are already trading on there, while Procter & Gamble is reportedly planning to open an online store.

Transport sector

Important development areas are rail, airports, gas pipes, power stations including hydro power, ship building, berth, wharf and port construction. Chinese government is planning to build 100.00 km new railroads till 2020. Sea ports are also too small for increasing global trade and are partly using old machinery. New airports are being built and old ones renovated. China is expected to become major logistics hub in the world. Biggest export logistics companies are foreign owned and operate on Shanghai, Tianjin and Dalian.

Marine

Leisure boating is expected to grow substantially in China because it is one of the luxury activities Chinese are interested in participating. Chinese buy US and European premium boats over 40 feet (around 50 boats per year) and many western companies manufacture sailing and motor boats in China.

Currently boating market is approximately same size as in Scandinavia but it is expected to grow substantially, although boating and water sports have never been a strong part of the Chinese culture. Cities leading the water sports development are Qingdao, Shanghai, Shenzhen and Zhuhai. It is also expected that China will begin to export boats to Europe and even to Finland.

With growth rate of 29% percent China became the largest global shipbuilder in 2009, five years ahead of its own target. China is concentrating freight, LGN ships and coastal freighters while European shipyards do more value added cruise ships. Environmentally friendly and sustainable ships in China could offer recovery for western shipbuilding suppliers.

Marine sector offers opportunities to building sector as well. Leisure boat marinas are often using large amounts of heat treated or impregnated timber etc.

Korean STX (owner of French and Finnish cruising shipyards) is investing \$2b in China for new shipyard and a marine technology business park which may be threat to STX operation in Finland, and its subcontractors in Uusimaa.

Automobile

Cleaner Transportation is ranked, on average, as relatively lower in attractiveness in the future due to many solutions still in early stages of technological maturity. These sectors primarily impact the environment by reducing atmospheric emissions, including CO₂, and improving energy efficiency.

China has just become biggest automobile market. Consumer products and services for car owners are needed.

China has adopted its first vehicle emission control standard, equivalent to the Euro 1 standard used in the European Union, and since then has been upgrading it one level roughly every three years. Currently, China is implementing the Euro 3 equivalent standard nationwide. Following implementation in Beijing in 2008, regulators are targeting to roll out Euro 4 equivalent standard nationwide in 2010. China has strongly supported the electric vehicle (EV) concept. Recognizing the benefits that EVs offer – such as alleviating local pollution, mitigating the demand for oil, and the potential to reduce CO₂ and other emissions associated with fossil fuel burning – China's Government has announced pilot programs in a number of major cities and plans to subsidize the adoption of electric vehicles.

Uusimaa region has a number of developers with world wide reputation of making concept cars, including full electric sports cars. In mass production side Finland may have capacity problems (and cost problems) to offer anything. Developing new top models and (artistic) western designs may be opportunity area considering Finland being strong on industrial design sector.

Energy

China is the second biggest energy user in the world and consumption is growing 5% annually in next five years. Coal is expected to be main source of energy in 2013 with 70% share, and oil will decrease to 16% while new nuclear and hydroelectric plants are being built and use of natural gas is increased. Nuclear power production is expected to increase to 150 GW by 2030 with 40 new reactors being built. Target for wind power is 100 GW at 2020 and for hydropower the target is to build 25 major new plants.

Renewable Energy

The sector primarily impacts the environment by reducing atmospheric emissions, including CO₂, and improving energy efficiency. Solutions rank in the middle tier in future opportunity, driven by a large number of solutions that technologically are relatively mature or rapidly emerging, but not yet economically competitive in China.

Biomass power generation

Biomass power has temporary electricity tariff subsidy of 0.1 Yuan/kWh but only for certain types of feedstock (forest, firedamp and straw). Biomass power generation and bioethanol production are subsidized in China's bioenergy sector development plans.

Cleaner Conventional Energy

Solutions rank in the middle tier in future opportunity, driven by a large number of solutions that technologically are relatively mature or rapidly emerging, but not yet economically competitive in China. These solutions help reduce environmental impact on both air and water.

Electric Power Infrastructure

Electricity transmission network is not yet integrated and transmission losses are significant. The government plan is to have integrated electricity network at 2020.

Sector is ranked, on average, as relatively lower in attractiveness because many solutions such as CO₂ capture are still on early stages of technological maturity.

Small low efficiency coal burning power plants are closed, while a one new large coal fired power plant is built every week. Sector primarily impacts the environment by reducing atmospheric emissions, including CO₂, and improving energy efficiency.

Services sector

Finnish export of services to China (2008) was 725m euros. In comparison Finnish export of services to India was substantially higher, 1137m euros. It is expected that due to higher growth rate of Chinese economy, and government's regional policies to lift standard of living in poor areas, the demand of consumer and other services will in the future be bigger in China than in India.

Increasing middle class needs more consumer services in urban living and new lifestyle, such as car ownership, leisure, travel, and healthcare. Although is

estimated that 10% of Chinese population will be over 65 in 2015, family takes care of elderly and for that reason, houses are fairly big (2-3 bedrooms, over 100 m²).

China has hundreds of golf clubs, skiing and other holiday resorts, and large number of private western dental centres.

China is category 2 country in MEK (Matkailunedistämiskeskus) because of strong growth potential for travels from China to Finland. MEK will arrange frequent roadshows to China, also during Shanghai World Expo. Chinese tourists in Europe are highest spenders and do annually tens of millions leisure trips to China and abroad.

Architecture and design services for major buildings are area where some Finnish companies have been participating. Finnish architects have won about five competitions and two projects have been implemented.

Education will become even more important to support move to high-tech China. Educational services are needed in China. European and US universities have side operations in China.

Around 2000 students from China are studying in Finland. Many of them would like to work for Finnish company after studies which would in the long term benefit Finnish exports to China.

Finnish educational institutes involved in China in educational segment are Haaga-Helia, Fintra, Aalto University, etc. Hera (Helsinki Education and Research Area) has made a survey of China as market for Finnish educational services. Hera has also analysed several markets including Russia and India. Finnish Ministry of Education is supporting development of training and educational offering to international markets.

Sykli (Suomen Ympäristöopisto) is looking to cooperate with Jiansu Province to provide education and training in environment related market. Sykli has also close relations with Suzhou City and its vocational and polytechnic schools.

Construction

Construction sector is expected to grow over 5% annually for next five years. Hotel construction is especially fast. China is expected to become biggest tourist destination in the world in 2020. Future potential for new design and planning approaches, optimized construction techniques, sustainable materials and efficient appliances is big. However, in general the investment growth in construction will ease down in 2009-13 compared with 2004-08 as property investment slows.

Young population is moving to cities (estimated 300 million people moving in next 15 years). Their income is increasing and new housing is needed.

Cleaner Industry and Green Building have relatively higher average solution attractiveness in the future compared to other sectors, with many solutions in these sectors focusing on energy efficiencies and already economically feasible on a life cycle basis. Green Building and Cleaner Industry solutions address air emissions and energy, water and materials use.

Energy efficiency construction opportunities can be found in three different sectors; eco cities (still very few); individual office and factory buildings (often by western companies);

Chinese builders and contractors are interested to solve only some areas in green building because of cost reasons, as usual in the construction sector. Need for affordable housing in fast growing cities is big and builders obviously like to build in cheapest possible way. Currently fairly relaxed building code controls make this possible but more strict controls are expected in the future.

Problem for Finnish companies is that Finland has not been able to offer large scale financing for construction projects like Singapore does. Finnish construction companies are not very active in China and Finland has not been able to show good green building references, such as actual implemented projects in China or elsewhere. Construction sector is not completely open market. China has around 400 foreign owned construction companies and they have limitations on what work they can do. Any entry to Chinese market normally requires manufacturing building components locally.

Foreign architectural companies are not allowed to make detail designs. Therefore foreign companies are mainly focusing in specialty concept designs and actual construction work is done by teaming up with local companies.

Green building

China has also been developing new energy efficiency standards for buildings and major appliances, in addition to revising already existing codes.



The chart above shows regional household CO₂ emissions in seventy major cities in China (tons/household). Most effected cities would be the best targets. Another factor to consider is construction volume with different focus cities.⁶

Building codes have been updated and the Government is stepping up promulgation and enforcement. China recently launched its own building rating system titled the "Green Building Label". Beijing's stated target is to cut building energy use in all cities by 50 per cent by next year and 65 per cent by 2020, compared with buildings constructed in the 1980s.

About 45 projects in China have already got LEED approval - several designed by foreign architects - and more than 100 under construction seeking approval, however mostly in Beijing.

In construction materials sector the main issue is affordability. Prices must be at correct level which in most cases means manufacturing partly in China. However, China itself is already now one of the biggest producer and consumer of wooden furniture and parquets.

Arctic building

China has very cold climate regions like Finland and solutions are similar. However, wood in construction is not yet common due to missing norms and standards. Wooden building is regarded fire risky, and hard to insure. Most wooden buildings and log houses are for leisure purposes. Finnish suppliers should need to learn how to cooperate in international markets in the same way as Canadian and other European wooden building suppliers do.

Machinery and equipment

Machinery and transport equipments is the most important imported goods category to China accounting 43% of total import volume.

Industrial machinery sales to China are relatively important for Finland, but in absolute terms Russia is the most interesting market. There are many opportunities especially in high-end and energy saving machinery, but also serious difficulties. Selling directly from Finland is difficult and starting manufacturing in China is costly and requires market knowledge.

One strategy is to follow major Finnish clients to China. Also Finnish companies established in China would like to see their subcontractors coming with them but expecting them to be able to be competitive in their pricing locally too.

Problems in subcontracting from China include serious quality problems that emerge periodically. Finnish companies try to control this by keeping constant quality checks and visiting suppliers' factories frequently.

Trading services

Brokering trade has some limited opportunities especially in construction materials, raw materials, oil, gas, and wood. About 70 % of China imports of coniferous timber come from Russia. Finnish trading companies have good experience in trading with Russia and there should not be any reason why brokering trade to China would not

⁶ Source: NATIONAL BUREAU OF ECONOMIC RESEARCH; 2009; © 2009 by Siqi Zheng, Rui Wang, Edward L. Glaeser, and Matthew E. Kahn

be too difficult for Finns. Trading will be possible in construction materials, e.g. stone, wood, log houses, metal and stainless steel building materials.

China is a major producer of timber and wooden products as well as a large consumer but it has little forestry (timber) resources per capita. Lack of forests has increased floods and land erosion. Government started the Natural Forest Preserving Project in 1998. The project reduced forest harvesting significantly, which resulted in great imbalance of timber supply and demand.

Procurement and sourcing services is new emerging service sector particularly in Uusimaa region. 'Sourcing services' companies act on behalf of Finnish clients looking for goods, components, and subcontracting services from Chinese suppliers, taking care of logistics and payments, and therefore reducing risks.

Market access and problems for Finnish companies

Business culture

Adapting to local business environment takes time. State owned companies and enterprises are challenging partners for Finnish companies

Government bodies and officials have key stakes in virtually all important Chinese corporations even among the many small and midsize enterprises that superficially resemble private operations.

GE Medical Systems, Microsoft, Metro Cash & Carry, and Unilever have overcome obstacles by adapting their business models accordingly.

China is not any more giving incentives for foreign companies. Instead it is focusing in supporting its own industry. India on the other hand is on the way to the phase where they offer incentives for foreign companies, so things which happened in China 10-15 year ago, are starting to happen in India now.

Human resources management

Biggest problems for companies are availability of trained personnel (especially people who have had some experience on working with western companies), churn rate of employees, and rapid rise of salaries. Employees leave very frequently which makes necessary to constantly recruit and train new people. Recruitment is best done by local HR people. Good practice might be to bring new Chinese employees to Finland for training but this is also a cost issue. Churn rate sometimes increases human resources costs close to western levels.

There is lack of people with multiple skills. Most important motivation for employees is salary but other benefits are also important, such as bonus and progress in career. Salary (money) and job title is valued more than in Finland and simple ways like upgrading job title can be used as soft way to offer employee little bit more prestige instead of better salary.

Finnish management style seems to suit Chinese environment. Finnish companies typically follow different practices in India and China in delegating responsibilities to local management. Usually in China, the local management is not given overall

company leadership when the new company is established, whereas in India the local managers almost always have a leading role from the day one.

The risk for Finnish companies both in India and China is that unsuitable local persons are selected into the leading role in company. This matter needs to be addressed at an early phase and it is advisable at the early stage of presence to consider having also a Finnish person in China for the initial 1-2 year period in order to build trust both ways and to ensure the shift of the corporate culture and Finnish leadership and management in the unit..

In China, Finnish companies should employ a person who has the required contact network in China and can speak English fluently. However, language skills, even Finnish, should not be given priority over the industry knowledge and personal networks. Enough time should be used in the selection process and not take the first one that comes to the exhibition and can convincingly speak.

Personal networks are important both in India and China. Sometimes the Finnish headquarter is unaware of the real problems, especially in China because of the language barrier. The main company in Finland only sees that business is not growing as it should. Operational presence is very important especially in the early years of operation.

The problem is not just the language as semantics but also the cultural context. Matters are expressed in a different manner and a person who speaks fluent English does not always express matters in a way that we do in the West.

Work productivity can be increased with good project planning, milestones and using measurable indicators for achievements. If these are not used, then project may have unexpected delays.

Chinese employees may not say if they don't understand instructions and the work content. Manager has the responsibility to give instructions in sufficient detail and ensure employees understand what is required. Normally Chinese employees need and expect much more instructions and follow-up than Finnish employees.

Tendency in with Chinese employees is on short term viewpoint that may lead to emergency situations in work schedules by various work tasks and deadlines conflicting.

'Losing face' is well known issue in China and to be avoided. Employees avoid situations that may lead to losing face (of not understanding work instructions, for example) and thus move the responsibility and loss of face to management (as their mistake of not giving good work instructions). If Chinese employee doesn't ask questions, it may be that person doesn't understand instructions, and asking more details can be seen as a "loosing face" situation.

Common sense should not be forgotten. Most principles can applied everywhere and corporate values should be respected and implemented locally too.

Finnish manager should always have Chinese 'right hand' that has experience on working with western companies, know the language, and understands culture.

Many Chinese companies still do not even have internet website although China has over 360 million Internet users. In most organizations the employees don't have own e-mail addresses. Both company and businessmen may withhold

information from Finnish companies and business partners. In China information is guarded, and the Chinese prefer not to expose too much information to foreigners. Local company may not have capable contact person who can speak good English.

Understanding diversity in China

When selecting location for business, it is important to understand where the know-how of that sector is concentrated in the country - where are your customers, where are your cooperation partners, other western companies, R&D centres, etc. Comprehensive market and partner evaluation is very important and saves money in the long term. Size of market study should be in relation to potential loss, or lost business if matters go wrong.

Beijing has many headquarters of western companies, but is more administrative capital than business location. Shanghai is the most western city where particularly Taiwanese and Korean companies operate. Guangzhou has much light industry manufacturing. Innovation and research hotspots may also be somewhere else, perhaps in Central China like in Sichuan. Shenzhen in Southern China is regarded as high tech hub of China, having a R&D spending per GDP equal of that in Finland. Northern provinces have similar climate conditions as Finland and similar needs for products. Northern provinces are also centre of wood processing industry and have many trade links to Russia.

Setting up company in China is completely different than in Finland. Even if the law is same for all, different provinces have different practices and license procedures, and perhaps interpretation of the law. Amount of company's share capital influences whether company can get value added tax back, or not. Moving company to another province might not be allowed, and closing down company is not easy either.

However, entry to China is probably somewhat easier than to India. China is very much more uniform than India where different parts are run from right-wing parties to communists. This does not mean that regional aspects in China are not important. Market entry to China is highly regional exercise because of country's size, but there are no fundamental regional differences as in India. Law and regulation in China is the same for everyone, but implementation and interpretation varies.

Major problem is how to find good narrow niche because opportunities are everywhere. In some cases China is very highly developed, in some cases very rural. Matching Finnish offering to Chinese opportunity is extremely difficult.

Finnish small and medium-sized companies know very little about China. For Finns, it is too demanding to take part in most major Chinese projects with the limited capital and resources Finnish companies have. Business partner is needed in most projects to get domestic and international funds and loans.

Coming along with major leading company is good strategy: When Nokia came to China, either in Beijing or Guangdong, many Nokia Finnish suppliers and relating companies gradually came to China too. It is difficult for Finnish small and medium-

sized companies to come to China alone. For sub-supplier, coming after one large customer brings good base load, but new customers are needed quickly, as sub-suppliers can not rely on one customer only.

'Product and technology oriented partnership strategy' offers better opportunity (establishing a sales channel via a local agent, joint product development and production, subcontracting, and outsourcing services) than 'project oriented partnership strategy'.

Localization of product is extremely important. Often it means more than localization, it means developing a new version or new product jointly with Chinese market expert taking care of Chinese values and rules.

Bureaucracy

Implementation of laws (unclear laws and unpredictability in implementation) is decreasing but is still a problem. Companies have big administrative departments for contacting with authorities, networking, lobbying, and developing personal relationships. Rules and laws have regional differences and 90% of managing director's time in the first year goes into learning to deal with authorities.

Negotiations

Chinese negotiation tactics and agreement practices are not familiar to Finns. Effort must be taken in personal relationship development with Chinese partners. In China, like in many Asian cultures, business is made between the people, not between companies.

It takes time to find local business partners in China with common business interests and goals even though there is no lack of candidates. Like anywhere, systematic approach is necessary when seeking the partner candidates. Background checks can, and should be made.

Partnership negotiation and business relation development local companies require effort and time, it also costs considerably. Chinese partners expect complementary and relevant benefits to region.

Great care needs to be taken when negotiating partnership agreements. Partnerships operate in dynamic business environments and therefore must be able to adjust to changing market conditions. The agreement therefore should provide for changes in the original concept so that the partnership can grow and flourish. Only agreements in Chinese language may be considered legally binding.

Joint ventures are more challenging in terms of operation and often not recommended. Many of them have faced leadership and ownership problems, mainly caused by partners' different long term visions for the company.

Competition

Competition is very high in market share, employees and technology. Manufacturing in China may be more expensive than in West because raw materials are as expensive as in West but work productivity is lower. Depending on the product strategy, the real saving can be achieved only if product is fully localised. Saving may not materialise by using same components and raw material specifications. Companies are mostly in China because of faster deliveries to local

customers, not because of lower cost base. Finnish companies cannot compete on the amount of available labour, their competitive advantage is innovativeness.

Some Western companies that went to China only because of lower costs for manufacturing western markets have moved manufacturing away again because cost of raw materials is the same, work cost increasing, transport costs increasing, but productivity and quality of Chinese work is less than in West.

Product volumes required in China are very high and Finnish suppliers may have problems in delivering required quantities, whereas India has lot of SME clients that are more suitable for Finnish companies. This applies to sourcing too, Chinese supplier generally require much larger purchase volumes than Indian companies. Technology level in India is generally very much lower than in China.

IPR

IPR problems and severe competition prevents some Finnish companies to consider China. Copying in India is a less of problem than in China. However, IPR situation is becoming better since Chinese companies are now creating their own IPR and need protection. Currently, over 90% of IPR cases are between Chinese companies. China should be considered as an opportunity because if company doesn't go to China, the whole market potential is lost. If Chinese try to copy the product, it means that the product is valued and desirable, and worth of more marketing and (IPR protection) effort.

IPR problems are still at high level. 54% of all counterfeit goods seized at EU borders in 2008 came from China.

Patent and copyright infringements have been a threat to Finnish companies to go to China. Copies of products and trade marks are frequently on the market. Good advice is to keep R&D in Finland. Foreign companies' R&D centres in China are mainly focusing in products adaptation to local taste and market.

China training for Finnish companies

One of the big problems is that Finnish management stays in China about 2-3 years and when the person is leaving, lot of personal expertise is lost because the person is not transferring the expertise to the next person in the company. A number of Finnish business people have worked in China but generally China is strange country for Finnish business community. Fresh knowledge is important because China is moving at fast pace and work experience and contacts from five years ago are usually not relevant any more.

However, it is very useful if teachers of the training course are expats with recent and personal experiences on staying and doing business in China.

Business people who go to China may not realise what they don't know, and cannot ask or select appropriate training courses. Understanding on how much different China is, will grow during the training course, and is replaced by more humble attitude to the culture.

Training courses in Finland focusing on Chinese culture are sometimes counterproductive because they, as definition, highlight differences between Finland and China and discourage companies instead of finding similarities and easing anxiety. It is necessary to de-mystify China. In most aspects, business is conducted with same common business sense as in any other country.

Training should be very practical on how to do business. Many training courses have too much cultural aspect, which is interesting but too far from practical business application. Business people have limited amount of time available and are interested on factual knowledge how to do business, not to learn everything completely.

If in-depth understanding of country is required in the business, the knowledge is often available cheaper by recruiting locals. Often good leaders don't know all the small details; they just recruit people who know. Thus, good China training may not always need to go into market details.

Ideally training should include participants doing practical exercise (business plan for China, market analysis, developing sales arguments for own products in Chinese market, etc) for their own company.

Trips to China

Fact finding trips to China are helpful but not enough to give full understanding. Person's own perceived level of knowledge about China is highest after two weeks in the country, and decreases constantly thereafter as more time is spend. China looks simpler from the surface than it really is.

Finnns arrange many fact finding missions to China ('business tourism'). Participants are usually happy with the experience. Such missions are valuable as initiators of business interest. Companies that find markets interesting should then look areas where they could find their strengths, and attend relevant business training courses.

Trip first and subsequent training later is better than opposite way. Trip schedule should cover visits both to western and Chinese companies, although one should have proper business case to discuss with Chinese companies to get audience. Pure business sightseeing and visitors from not relevant business sectors will not get appointments.

Longer term visit (1 month) would be more beneficial than few days fact finding mission. One week trip gives better understanding but unfortunately it is still not adequate base for strategic decisions on entering or not entering the market. Long visits should be targeted to Managing Director level because second level people in the company, who often participate training and missions, don't usually make strategic decisions, and visit is partly wasted.

There are some successful experiences of Finnish company establishing in China by first employing Chinese person who came to Finland for higher studies. Subsequently this person went back to China and started factory there in cooperation with the Finnish company. We could conclude from this that one long term strategy to increase Finnish business in China might be to bring Chinese market expertise to Finland instead. But on the other hand, market knowledge and contacts is lost if person is too long studying in Finland and away from China.

Ideas for training topics received during this survey:

- China as business area; China in nutshell; key issues in Chinese economy 2010-
- Legal forms, rules and regulations in China and in provinces
- Chinese business culture and values. Communication, negotiations, customs, business etiquette
- Business strategies in China; (company level, division level, product level) business plan for China
- Chinese payment methods, banking and financing operations
- Procurement from China (supplier selection, logistics, payments)
- IPR, patents, copyright, trade marks, etc. Experiences from other companies on ways to protect IPR.
- Trade risks and insurances
- Public support for international trade
- Company types in China, required documentation, licenses, challenges
- Technology transfer, licenses, partnerships, direct investments
- Sector specific training becomes more important because narrow Chinese segments come up with new opportunities.
- Certificates, licenses, permits, CCC
- Company social responsibility to employees.
- HR management
- Various partnership and client issues

“Booth camp” training programme with long work visit used by Finnnode and Tekes in the US was mentioned as very good example of training that is needed in China. Major part of the training is 1-3 month ‘immersion’ in target country to work with pilot companies to develop strategy for market entry, understanding the market opportunity and players and looking at financing options where applicable.

Instead of one week roadshow, companies will spend time in their market assessment, working with locals and visiting companies. In the programme, companies will spend a minimum of one month getting a very concrete understanding of the market opportunities and the ecosystem of their business. Training is targeted to Managing Director level.

Current training for China

Fintra – Doing Business in India

Training includes courses in Finland, two day visit to India to meet contacts, and company specific consultations.

Avaintulos Oy – Aasialaisen liiketoimintaosaamisen koulutusohjelma

The course focuses to China but has two day module about India. This fourth Gateway training programme 16.11.2009.–2.7.2010 is part of employment training arranged by ELY Uusimaa and subcontracted from Avaintulos Oy.

Tampere University –Business skills for Asia

Asian business studies in connection at Department of Management Studies and International School of Social Sciences. Topics cover 'Introduction to Asia as a Business Area'; 'Greater China Asia as a Business Area'; 'Asian Business Cultures and Negotiation Styles'; and 'Legal Aspects of Asian Business'.

University of Helsinki Palmeria - Kiinan tai Venäjän liiketoimintakulttuurin moniosaaja -koulutus 2010.

The course is targeted for unemployed, or people in danger of unemployment, and for related personal development. Participants have option to select either China or Russia as focus area.

Pirko - Pirkanmaa Education and Training Consortium of Finland

The Finnish National Board of Education has appropriated Pirkanmaa Education and Training Consortium of Finland (Pirko) a government subsidy (2006 -2012) for the China – Finland network cooperating in the field of vocational education and training. Jiangsu Province of China and Suzhou Industrial Park Institute of Vocational Technology have signed the MoU for the cooperation and exchange. Purpose of the cooperation is develop the knowledge and understanding of Chinese culture and the Chinese operational models in working life among Finnish staff and employees. On the other hand the Chinese staff has to learn to understand the operational culture and procedures in Finnish owned enterprises. This kind of cooperation seems to be more productive in the long term than traditional China training.

VIA Group - Senior Leadership in Action

Senior management development programme with short visits to Barcelona, Boston, and, Shanghai. This is targeted to managing Directors and cost is 28000€.

AAC Global Sanoma Osakeyhtiö – Toimiva yhteistyö Kiinassa.

Interactive webinar based training with strong focus on communication issues.

Chinaworks (Tre) – Practical business in China

Mainly tailored courses to specific needs for company. Chinaworks also arranges preparatory courses for people going to be posted from Finland to China.

Adulta / ESR funded training in Jyväskylä - Koulutusliiketoimintaa Kiinassa (training on education business in China)

One-off course targeted to educational companies who are interested to offer training services to China. Adulta also arranges inexpensive courses in many

various sectors, including entrepreneurship, and China business and customs. Some courses are available on-line.

China reference material

BOFIT Kiina-ennuste 2009–2011; Suomen Pankki BOFIT – Siirtymätalouksien tutkimuslaitos

Business Opportunities in Northeast China, Liaoning Province; Ministry of Trade and Industry / China Tekway Oy; 2007

Business Opportunities in Notheast China Jilin and Heilongjiang; TEM; 2008

The China Greentech Report; 2009

FiHTA ry:n Kiinan ja Venäjän viranomaishyväksyntäprosessien ja -vaatimusten kartoitus; teknologiateollisuus / Aidertech; 2009

Nordic Collaboration with China in Energy Research and Development, Nordic Institute of Asian Studies Report; 2009

China's Building Boom; American Forest & Paper Association Beijing;

Perception of the Nordic Countries in China Survey; Nordic Council of Ministers, 2008

China Industry overview and outlook, DUO SW Business Models in India, China & Japan; Finpro 2009

Suomalaisen yrityksen strategiat Kiinan muuttuvassa toimintaympäristössä; Helsingin Kauppakorkeakoulun kansainvälisten markkinoiden tutkimuskeskus CEMAT; 2008

LifeSciences Focus Topics and Opportunities 2010; Finpro Life Sciences CIT report

Cultural video games (It's Time to Play – international comparison); Nesta / Games Investor Consulting Limited; 2009

China ICT electronics changing ecosystem 2010, Finpro

Suomalaiset tytäryhtiöt ulkomailla 2007; Tilastokeskus

Suomen ja Kiinan välinen kauppa 2009, Tullihallitus

Kiina maaraportti; Toukokuu 2009; Finpro

India Foresight Country Report

Economy

Indian economy is expected to grow around 7% in 2010 which is more than previously forecasted. Manufacturing is growing fastest, over 10%. The predicted growth for the Service Industry is close to 9 per cent for 2010. India has been the second fastest growing economy in the world, after China, for the last 10 years and is predicted to become one of the world's largest economies by 2040.

India is planning its economy through its five-year plans which are developed, executed and monitored by the Planning Commission. The Eleventh plan (2007-2012) is currently executed. Indication for Government's focus points in development is often revealed in changes in ministries, and their departments.

Urbanisation is continuing trend and in 2050 half of the population is expected to live in cities. This means new challenges in housing construction, traffic, and water & waste management, but also opportunities in selling higher value consumer goods and services.

In India, unlike many other emerging economies, personal consumption makes up a large proportion of GDP, and exports today account for only 15 per cent of the economy. India's economic development lags China's by approximately 15 years. India's manufacturing industry is much behind China in the number of manufacturing units. Trade between India and China is expected to grow substantially in the future, especially export of equipment and machinery from China to India. This makes competition much harder for western technology supplier companies.

However, on the other hand, western companies will look India more as manufacturing base for goods for other Asian countries. Indian based manufacturing also gives competitive edge in global tenders. India may become a workable gateway for Finnish companies to third countries, such as Africa.

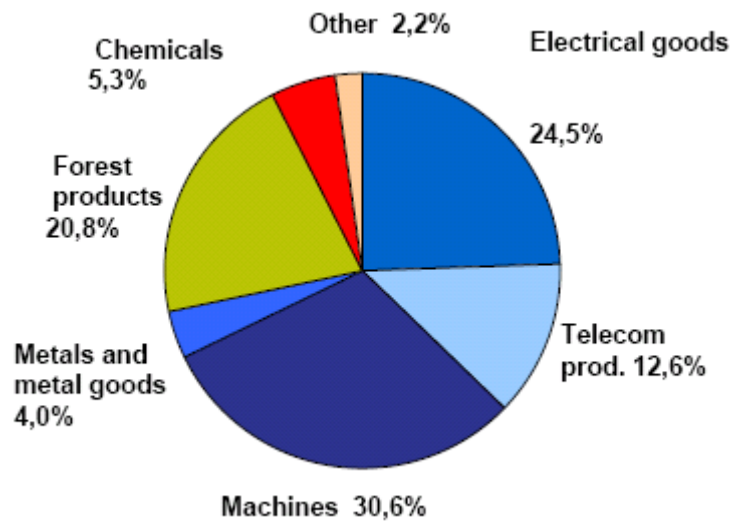
Europe is India's largest trading partner and the European Commission is expected to sign Free Trade Agreement with India in October 2010. The agreement is expected to deal with both tariff and non-tariff barriers.

Finnish companies in India

Currently, most important Finnish exports to India are machinery, forestry products, and electrical & ICT goods. Services sector exports include machinery maintenance and service, machine installation services, transport related services, and technical, professional and scientific services. Also services related with healthcare and educational services are in demand. Travel and leisure present also major future opportunities.

Over 80 Finnish companies have established themselves in India, with over 100 via agents or distributors. About 38 Finnish companies have a subsidiary in India, with total of 3254 m€ turnover, employing 22000 people.

Currently Finnish companies in India are mostly serving local markets, except few major companies with longer presence in India. However, in the future more companies are planning to export goods from India to other Asian markets.



Finnish goods export to India ⁷

Indian companies have invested abroad in large scale into European metal-, pharma, ICT and car industries, in some cases also into Finnish companies. Especially Lahti Science and Business has developed close cooperation with Indian Yes-Bank.

Finnish companies in India (and also China) are companies that are seriously interested in establishing their operations in the country. India is not considered an easy market. But with careful preparation and a good dose of patience it can be a most successful market. In practice, entry to China is probably somewhat easier than to India.

Generally, Finnish companies have potential in infrastructure, construction (especially energy efficient housing), and healthcare (especially higher level health tourism facilities), ICT, mobile and media (especially mobile related services) and energy and environmental sectors. Indian food industry offers also opportunities: roughly 30 per cent of the yield goes wasted before reaching the consumers!

However, it is demanding to move from potential to real business. Government investments are preferably targeted to local suppliers, but as there is a big demand for new technologies, there is real potential for non-Indian suppliers, too. The solution is for a Finnish company to become a local supplier, either by establishing themselves or appointing a representative. It is not easy to sell from Finland without having a presence in India. . Companies interested in public tenders should be involved very early during specification stage before tenders are published.

Future potential opportunities for Finnish companies identified in this study are:

- Healthcare (especially higher level health tourism facilities),
- Services related with healthcare; software applications for healthcare

⁷ Source: Tullihallitus; 2007

- Indian healthcare authorities express their concern on the high salt and calorie intake, as high blood pressure and obesity are rapidly increasing not only among the urban population. Treating national diseases becomes important.
- Diagnostics sector has 50 Indian companies that might have potential to cooperate with Finland
- Equipment and technologies to the Indian healthcare sector. Affordable public healthcare solutions.
- Telemedicine and related services in rural healthcare
- Indian food industry offers also opportunities: roughly 30 per cent of the yield goes wasted before reaching the consumers! Supply chain management software and solutions, cold chain
- Homecare of the elderly and disabled is predicted major growth in the near future, which could present Finland varied opportunities.
- Advanced packaging related products and services such as certificates of origin, logistics, consulting in organic production and tracking; demands for food packaging are freshness, tamper evidence, labelling, and traceability.
- Infrastructure building; roads, power plants
- ICT, mobile and media (especially mobile related services), software applications to enhance rural living - agriculture, education, healthcare, banking, governance and infotainment; especially in electronic and mobile communications applications
- Introduction of 3G will drive rich media content applications such as mobile TV, video on demand, mobile banking, and location based services among others.
- E-commerce and e-payments, internet shopping and brokering and banking software
- Mobile solutions for social groups, especially relating to 3G
- Travel and leisure trips to Finland
- Construction services especially energy efficient housing and green building
- Environment; clean processes for industry, waste management and recycling, water cleaning, and environmental solutions, energy efficiency labelling of consumer goods and products.
- Renewable energy; biofuels solutions
- Air quality; solutions and monitoring
- Power plant efficiency, products for enhancing electricity network and remote metering, distributed renewable generation management systems
- Green building and complying with standards; energy efficiency and energy savings solutions
- Raw materials related trading services, including forestry products

- Educational services for professional development
- Industrial and B2B services
- India as gateway to other countries in Asia and Africa
- Indians as investors to Finnish companies

Healthcare, pharma, biotech

Life sciences sector is underdeveloped and 60% of population is without basic healthcare services. Annual growth of this sector is 13% and Indian government is expecting this market to grow from current 24m euros to 29m in 2012. India is expected to become one of the ten biggest medicine markets in the world, and the market value is expected to grow to 14 billion in 2015. There are, however, IPR problems with Indian manufactures developing generic medicines also for export to underdeveloped countries.

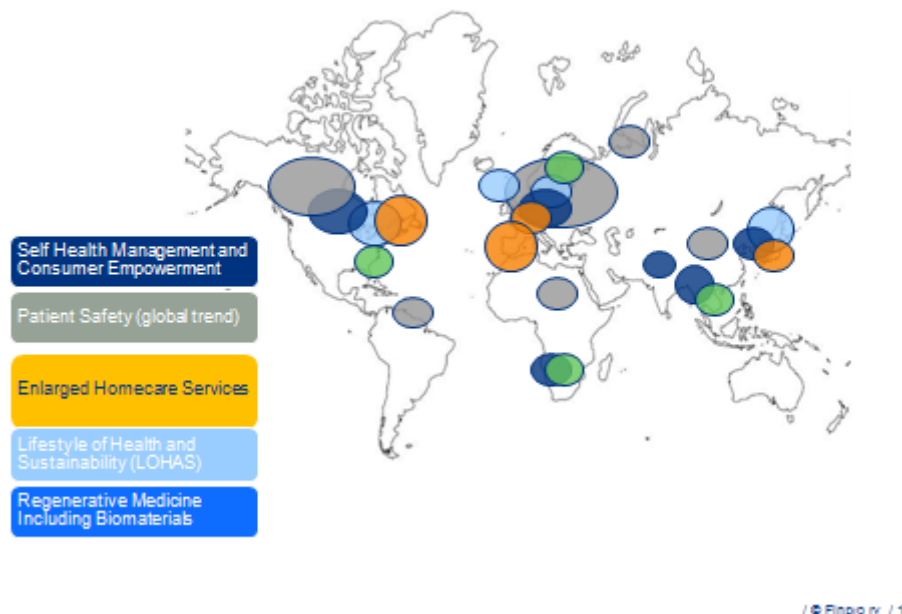
Diabetes is most problematic disease in India with expected 46 million patients in 2015.

In India about 80% of healthcare expenditure is from the private sector. There has been a huge growth in private sector spending which is leading to the development of corporate hospitals with a modern healthcare infrastructure. However, generally speaking these are rarity. The big masses of the populations cannot afford private healthcare, so the government is forced to invest more in the public healthcare. There would be thus huge opportunities for suppliers who can come up with affordable solutions, applications and device for public sector healthcare.

Fastest growing sectors are medical tourism, clinical test services where western companies using Indian laboratories, and diagnostics services and pharma industry.

India is going to be a major medical tourism destination in the coming years. The Indian medical tourism market was valued at \$0.8 billion in 2008, and it is forecasted to reach \$3 billion in 2015 at a growth rate of 21%. The market is expected to be driven by low procedure and hospital costs, high availability of qualified and competent surgeons, and the growth in the development of modern healthcare infrastructure in the country, added with a uniquely holistic approach to human health. In India, more than 600,000 medical tourists sought treatment in 2008 and this number is expected to exceed one million in the next two to three years.

Finnish companies could provide equipment and technologies to the Indian healthcare sector. Some companies have already established in India either directly or via distributors, but there is much more potential. Another opportunity could be training or consultancy services to help provide healthcare that meets with international standards.



Finpro: Health and wellbeing: Opportunities linked to World markets (Hot spots)

India's US\$14.23bn pharmaceutical market is forecast to reach US\$44.99bn by 2018, representing a compound annual growth rate (CAGR) of 12.20%. The main drivers of growth are a booming economy, increasing access to medicines, more investment in healthcare infrastructure and a greater incidence of chronic diseases and communicable diseases. In the long term, BMI believes that the country is the second most attractive pharmaceutical market in the Asia Pacific region.

Government and institutions such as Confederation on Indian Industry (CII) are prioritizing healthcare industry. Tax deduction of 100% of the profit is available to industries located in special area/regions in operating and maintaining hospital.

International cooperation is increasing. European Business and Technology Centre and Russian biotechnology companies are eager to develop future partnerships with Indian counterparts. The Russian Biotechnology Society has reported high levels of interest from its 4,000 members in areas including vaccines and clinical trials, in order to help commercialise innovation. Also 10% of World Bank lending to India is in health sector.

According to the Insurance Regulatory and Development Authority, the Indian healthcare industry has the potential to show similar exponential growth that the software industry showed in the past decade.

Telemedicine and related services in rural healthcare might be suitable future opportunity for Finnish companies. Also homecare of the elderly and disabled is predicted major growth in the near future, which could present Finland varied opportunities.

Diagnostics and pathology services are expected to grow 15-20% annually. The sector has about 50 Indian operators that might work with Finnish partners. In-vitro diagnostics market is 38% of the total medical equipment market. Diagnostics

products should be easy to use and suitable to be used in less hygienic environment.

Food industry

The whole food chain from agricultural production to consumer is underdeveloped. Uusimaa region has companies in food processing and logistics, but very little in agricultural production related sector. Indian farms are also generally small (average farm size is below 1 hectares) and fast progress in agricultural methods and use of machinery seems difficult.

India is the world's largest milk producer. Meat production is far less organised than the dairy sector. Poultry, sheep, goats and pigs are also well represented in India's livestock population. India is also a major egg producer. Because of endemic poor infrastructure, Indian agriculture suffers from high spoilage rates (30%) and productivity in food sector low.

Food processing industries (other than dairy, malted foods and flour and a few items reserved for the small scale) are included in the list of high priority industries in Indian government list, and are open to foreign investment.

India's 11th five year plan (2007-2012) looks to develop an integrated and seamless cold chain and storage infrastructure from field to consumers.

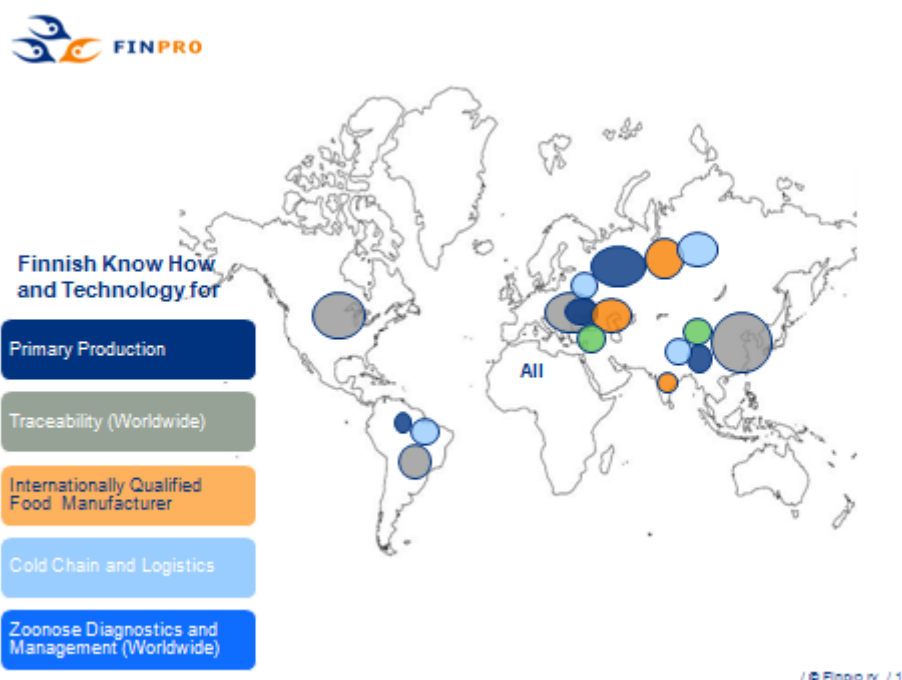
India's processed food industry has a long way to go if it wants to meet the country's potential, given its size and natural resources. It is estimated that the Indian food processing industry will need investment of around US\$28 billion by 2012 in agri-infrastructure and supply chain integration, logistics and cold chain infrastructure, fruit and vegetable products, animal products, meat and dairy, fisheries and sea food, cereals, consumer foods and ready-to-eat foods, wine and beer and machinery and packaging.

India has relatively new food safety law (The Food Safety and Standards Act, 2006) that has not yet been fully implemented. To implement this law, new Food Safety and Standards Authority of India was established in 2008, and degrees for rules and regulations was given in 2009 for improving control, inspections and packaging. Inspections are not yet done and unorganised small shop retail sector is a problem. Only 7 per cent of India's retail is organised. However, this is a significant new development.

Rapid changes in consumer dietary habits and preferences, particularly in urban India where disposable income has grown, have seen growing acceptance and popularity of processed, value-added foods. However, the healthcare authorities express their concern on the high salt and calorie intake, as high blood pressure and obesity are rapidly increasing not only among the urban population.

India is looking to export, for example organic, products. Packaging, certificates of origin, logistics, consulting in organic production and tracking are needed. Exporting high value (functional or organic) food from India to Asian developed centres and even to Europe is not far fetched idea, but the whole organic farming still need to properly established. For example, Kenya has large greenhouses that serve Western Europe retailers, and same could be possible in India. Carbon

footprint is actually lower in Kenyan products than in products from the Netherlands, because Kenyan greenhouses don't need heating. Indian food export is supervised by the Agricultural and Processed Food Products Export Development Authority.



Finpro: Food technology: Opportunities linked to World markets (Hot spots)

Packaging

The market for sterile packaging in India is expected to grow tremendously during next few years due to growing manufacturing and upcoming changes in the packaging regulations. However, price will remain as the most important decision making criteria.

Major new trend is Convenience Packaging. (Convenience packaging goes beyond the essential purpose of preserving and protecting the product.). Marketability (There will be an increasing demand for higher quality graphics and promotional links between graphics and advertising.). Other demands for food packaging are freshness, tamper evidence, labelling, and traceability.

Micro flute and its future as a carton-board replacement over the next five years are large. India becoming global player in Pharma and Processed Food Industry will have impact on the Indian Corrugated Packaging scenario. Numbers of Malls and Super markets are growing quickly. Wal-Mart and Tesco are looking at India, but so far the Indian legislation has been a barrier as it requires a Joint Venture with an Indian company for foreign retail companies. Demand for Point of Purchase Displays will grow.

Logistics and road infra

Indian freight industry is expected to grow at a rate of 10%. India's freight sector is rather inefficient and has potential for development. India spends 15 to 20% of its

GDP on transport and logistics compared to an average 8 to 10% in other developing countries. Freight operations which are port based are predicted to grow at 20% to 25%, with the proposed capacity additions at major and minor ports.

Government's 11th five year plan from 2007 till 2012 has some growth enablers such as planned over US\$ 500 billion worth of infrastructure investments. Tax deduction of 100% of the profit are available to industries located in special area/regions of development or operation and maintenance of ports, airports , roads, highways, bridges, rail systems, inland waterways, inland ports.

As the per capita income moves from €1,400 to €2,000, the average Indian will start demanding better roads and constant supply of electricity and are willing to pay the extra cost.

Government wants to ensure all-weather road connections to all significant habitations by 2015.

Infra projects in India offer fewer opportunities for Finnish SMEs because the projects are large. There might be opportunities in special equipment in transport possibly also transport related applications an software for Finnish companies in engineering and manufacturing sector.

ICT

India is the fastest growing telecom market in the world with 545 million wireless subscribers as of end-January 2010. It is estimated that by 2012, India would have 840 million wireless subscribers at an estimated teledensity of 65%-70%. India's rural low teledensity which is less than 20% presents a big opportunity.

Tax deduction of 100% of the profit is available for export of articles or software located by undertakings in Special Economic Zones (SEZ). Telecommunication sector companies can have 74% of foreign ownership.

Finnish companies have potential in ICT, mobile and media (especially mobile related services). Volumes in mobile sector are very large but margins are very narrow because India has many mobile networks and thus high competition. Narrow margins due to high competition are offset to a great extent by the volumes offered by the Indian market.

Rural communications

Over 40% of the next 250 million new subscribers will come from rural areas that account for nearly 70% of the population in India. Applications that can assist the mostly agrarian population in employment generation or income supplementation area are highly valued by the rural segment. Applications that have potential include electronic and mobile communications – agriculture, education, healthcare, banking, governance and infotainment.

Finnish companies, with their technological expertise in electronic and mobile services and products for abovementioned focus areas stand to benefit immensely from participation in rural projects, which can be led by the govt., or alternatively, by

the private sector. Alternatively, Finnish success stories in Finland or elsewhere in the world can be brought to India as a showcase with the requisite customization and localization undertaken to meet Indian demand.

Electronic business and commerce

Electronic Business Processing - Supply Chain Management will eventually link the entire supply chain - raw material suppliers, packaging manufacturers,

E-commerce and e-payments are relatively modest level but are rapidly growing in India. Strong growth is forecasted also in electronic transactions due to efforts by the Reserve Bank of India, banks and merchants to encourage e-payments. Travel is the largest ecommerce category in India contributing around 60 per cent of the total revenue of the market.

Internet banking is rapidly growing in India but it is currently behind the Western Europe. Main payment methods are still cash and cheque. Credit cards are coming to wealthy consumers and some internet purchases can be made, which makes way to internet shops. Business to consumer ecommerce sales have been growing over 30 percent year on year and are expected to reach 8 billion in 2015. However, world's biggest internet shop Amazon, which has two big development centres in India, has not yet started selling goods directly in India. Sifymall is currently the biggest internet shop in India. Debit cards are much more common than credit cards. eBay acquired Indian competitor Baazee.com in 2004 and has now strong and growing eCommerce business in non-ticketing category.

A number of Indian banks and brokers are currently offering online share trading. It is expected this will grow in future years. Currently online trading in equities forms just about 12% of the overall trading volume in the domestic market. Limited connectivity to consumers (last mile) is a major problem although basic telecoms infrastructure in India is good.

Broadband

Government wants to connect every village by telephone and provide broadband connectivity to all villages by 2012, but more likely it will happen by 2015. Broadband subscriber base in India is set to grow at more than 50% facilitated by availability of BWA technology (Broadband Wireless Access). The BRIC countries (Brazil, Russia, India and China), which make up 42% of the world's population, are expected to have over 300 million broadband connections by 2013. Mobile penetration will drive 3G and WiMax adoption and increase broadband penetration in rural and urban areas.

Games

Increased penetration of mobile phones and PCs in small towns and cities is driving the growth of gaming in India. The online segment has performed better than console gaming. It is estimated that, on average, 30 million urban Indians play mobile games daily. Finnish gaming companies have not yet been very successful in India because products have not been adapted to meet local consumer preferences well enough. Games must be tailored for Indian users. However, India is a good location for outsourcing game development and co-production of games for Finnish companies.

Telecom Manufacturing

India's share of handset manufacturing has shot up from almost nil about 6 years back to almost 10% of global handset manufacturing currently because major OEMs were setting up manufacturing facilities in the country. With demand shifting to Asia Pacific, India has the opportunity to emerge as an export hub as well as a key component manufacturing destination with large domestic demand, advantage due to abundant availability of skilled and cost effective labour.

3G

3G auctions for private operators started on April 9, 2010 and provided existing operators a good opportunity as also foreign players to make an entry into the Indian market and bring in new technology and innovation. Mobile number portability is also expected to be issued and will increase the need for differentiation among telecom operators resulting in higher end and better value added services to end users. Currently Indian mobile phone usage is mainly in voice and text messages, although base stations have full data capability. Introduction of 3G will drive rich media content applications such as mobile TV, video on demand, mobile banking, and location based services among others.

R & D in ICT

R&D offshoring to India is now a USD 9.35 Billion industry (2008); with MNC-owned R&D centers accounting for about USD 5.83 Billion of this market. A convergence of number of factors has helped strengthen the ecosystem

- Number of R & D centers
- Talent pool
- Growth in start up ecosystem – Technology Business Incubator, VC's
- Partnerships- Universities & Corporate
- Domestic Market

R & D activities can be undertaken in India at a fraction of the cost of the West enabling companies move up the value chain towards high end technology and innovation.

Energy sector

Energy generation is mainly based on coal. Electricity usage is expected to grow 7% between 2011-2018. Government has published plans to increase renewable energy to 20% on consumption. This would include large solar PV arrays, but also building new hydro and wind plants. Main part of the remaining energy needs will be covered with building new coal, nuclear and gas plants.

Energy efficiency

Government wants to increase energy efficiency by 20 percentage points by 2016-17. Increase in energy demand in India means that energy security concerns become more important. This calls for technology transfers, restructuring, efficient management practices and appropriate standards, including performance standards for energy consuming products to address the consumption of energy by

products during their use phase as well as in the standby mode. Both India and the EU have initiated a process of establishing minimum energy performance standards for goods.

India made energy efficiency ratings compulsory for electric appliances, including air-conditioners and refrigerators, from January 2010.

Green buildings

India has now 3 million sq metres of environmentally-friendly developments. Public target is 1000 registered green buildings by end of 2010, and 10 million sq metres in 2014. Development is driven by Indian companies looking for energy cost savings and to make company image better. It helps in tax reduction negotiations with regional governments. However, there is a big risk of “green-washing” taking place and special attention needs to be addressed to the criteria of green building. India has currently 43 projects in international LEED certification and many of them in ‘platinum’ standard.

Energy generation

Energy generation is largely based on coal. Government offers tax deduction of 100% of the profit is available for generation, distribution and transmission of power. World Bank lending to Indian infra projects is 20% of total lending which includes power generation. ICICI bank estimate is that power projects for at least 25,000 MW will get implemented by 2012, and they are bankable.

Energy trading and distribution

Energy networks are not completely integrated at India level. Government is building new connections between the five regional transmission networks. Transmission losses are 30%, a high number, partly for technical reasons but also because non-payment of electricity bills is statistically included in transmission losses. Remote metering is beginning to be used for business users.

First Indian electricity trading company IEX started operating in 2008.

Rural electrification

Government wants to ensure electricity connection to all villages and BPL households by 2012. There has not been much interest in Finland for this sector.

Renewables

Increasing the efficiency of heating and cooling equipment on the basis of renewable energy sources and biofuel development and application in vehicles is a major need.

The Indian government has approved a national policy on biofuels that aims to increase bioethanol and biodiesel content in gasoline and diesel to 20% by 2017. The policy also aims to encourage R&D in the field of biofuels with emphasis on planting, processing, and production technologies for products including second-generation cellulosic biofuels.

Environment sector

In next years India needs to develop particularly energy efficiency and energy savings solutions, clean processes for industry, waste management and recycling, water cleaning, distributed renewable generation systems, biofuels, and environmental measuring solutions. Particular needs are in management of hazardous waste, biogas and other energy from sludge and waste, management of household waste and industrial waste water.

SECTORS	AIR EMISSIONS	WASTE WATER	HAZARDOUS WASTE
Bakeries & Confectionaries			
Brick kilns			
Ceramics			
Cement Plant	High	Medium	Low
Dairy and Dairy products			
Distilleries			
Dye & Dye intermediates			
Edible Oil & Vanaspati			
Electroplating			
Engineering - Cutting and shaping			
Metal surface treatment			
Floor and Pulse mills			
Foundry			
Food & fruit processes			
Glass			
Lime Kilns			
Natural Rubber			
Organic Chemical Industries			
Paints & varnishes			
Pesticides			
Pharmaceuticals			
Plaster of Paris			
Plastic Products			
Pulp and Paper			
Rice mills			
Sports Good Industry			
Soaps and Detergents			
Stone Crushers			
Tannery			
Textiles (Dying & Printing)			

Summary of potential environmental risks ■ Low, ■ Medium, ■ High⁸

The technologies India is looking for from abroad are related to green building, water, energy efficiency, and waste management.

⁸ Source: Sectoral Guidebook; The World Bank; 2009

Future potential for Finnish emission management systems exists particularly in power plants and industry. Equipment in power plants is often old and ineffective.

Air

Government wants to attain WHO standards of air quality in all major cities and treat all urban waste water by 2011-12 to clean river waters. Most important air pollution source is transport (70% of pollutants)

Government is planning to implement tight energy efficiency standards, water recycling standards and limits in traffic emissions to meet Euro III level at 2010. Infrastructure development which includes water, waste management and energy, has been nominated as particular focus areas.

Water management

India's water resources are deeply under stress. This is due, in part, to: (1) natural scarcity and a highly variable hydrology; (2) inadequate service delivery and weak management institutions and policies; and (3) newer developments such as population growth, economic development, urbanization, and climate change. World Bank seeks to assist the Government of India in addressing each of these.

Tax deduction of 100% of the profit are available to industries located in special area/regions of water supply projects, water treatment systems, irrigation projects, sanitation and sewage projects, solid waste management systems.

Government targets clean drinking water to be available for all.

Equipment and engineering

Import tariffs in India are very high and often the only way to have reasonable price for industrial goods is to manufacture them in India. Often this helps also to keep cost level down in global tenders where Finnish companies may participate. India may become a workable gateway for Finnish companies to third countries, such as Africa.

Services

Germany, India and Sweden are currently the most important export markets for Finnish service sector, in respective order. Current services sector exports include machinery maintenance and service, machine installation services, transport related services, and technical, professional and scientific services.

Education and training services

Some Finnish Universities and institutes have MoUs to help Indians to develop training to professions, and further training for employees to increase their professionalism. As India has virtually no comprehensive vocational system of its own, possibilities also exist for consultancy for further education. There is a limited market for foundation courses (except Art & Design), due to the large number of UK universities that accept Indian school-leaving qualifications for undergraduate entry.

Hera (Helsinki Education and Research Area) has studied educational market opportunities in India, China, Russia, and in several other developing countries.

EK thinks it is important to get international students in Finland as they are likely to be employed by Finnish companies. Finnish Ministry of Education is supporting development of training and educational offering to international markets.

Research services

Finnish Academy, Tekes, and Ministry of Employment & the Economy have signed agreements with Indian ministries to promote joint research and exchange of researchers. Software sector is very promising target for these research services.

Forestry & Timber trade

India is one of the major wood-users in the Asia Pacific region and is net importer of wood and wood-based panel product. Current consumption is about 29 million cubic m. Sawn wood consumption in India is depressed and distorted by inadequate availability coupled with high prices. There is no integrated all India market for sawn timber. Most imports in India are in an unprocessed form, mainly as logs. Finland has relatively many mechanical wood processing and wood trading companies that should be well placed to develop trade with India and China.

Paper usage is growing from 7.6 m tons in 2008 to 14 m tons in 2016. India can produce only 50% of the consumption in 2020. Forestry product trading is expected to grow substantially and is good future opportunity for Uusimaa.

Market access and problems for Finnish companies

Business culture

It is important to carefully manage market entry, including recruitments, because it is very likely that business will grow very fast and any mistakes will be costly, if not in cash then in lost business. Potential mistakes that will cost real cash is if the first person is recruited much above the correct national salary level, and subsequently salaries of next employees must be in relation to the first person, which makes their salary too much above the usual local level. Protecting IPR is an issue but much less than in China.

Businesses in India are characterized by individual entrepreneurship and disregard of government to much higher degree than in China where private business activities are still directed significantly from government.

Indians try to renegotiate existing contracts. Companies must be patient and it is important to have good operating strategy and long term planning. Personal relationships are important and will help business. Finnish companies may not be always fully aware of this and anyway need help in establishing their networks. Local personnel will often handle such relationships, particularly to authorities. However, this is much less problematic than in China where language is a major barrier.

Partner with good and reliable reputation is necessary and evaluation of candidates takes time. Foreign management and local Indian expertise should be skilfully combined.

R&D must start from Indian customer needs and products should be modified to Indian market. Price sensitivity is an issue. Using international pricing policies

result in too high prices. Especially consumer products must be adapted to meet consumer preferences.

Price sensitivity is high and that western companies manufacturing in India cannot afford to have higher price tags just because of western technology, machinery and know-how. This means that companies need to understand that in order to have a successful manufacturing business in India they need to reach quite quickly big volumes.

In India, a foreign supplier can start with small quantities if they accept at the same time lower margins. India has larger number of small companies as clients, whereas in China, the required product volumes are very high already in the beginning, and Finnish suppliers may have problems in delivering required quantities. Technology level in India is generally very much lower than in China. Copying in India is less a problem than in China and Indian law provides better support on IPR than the law in China.

Human resources management

India has a huge pool of highly educated professionals. However, special attention must be paid to the recruiting criteria as the organisational culture is very different from Finland. It is advisable to use external HR and recruitment partners. Large number of employee candidates makes it not only difficult to evaluate them properly but is also too time consuming.

Companies are expected to undertake corporate social responsibility measures towards employees and the surrounding community because the Indian social security is weak. A foreign company in India needs to familiarize itself with the local labour law in order to avoid mistakes that can cost money and reputation.

Finnish companies follow different practices in India and China in delegating responsibilities to local management. Usually in China, the local management is not given overall company leadership when the new company is established, whereas in India the local managers almost always have a leading role from the day one.

Indian senior people have good speaking and presentation skills better than Chinese, and can therefore more easily convince Finnish counterparts. The risk for Finnish companies both in India and China is that unsuitable local persons are selected into the leading role in company. This matter needs to be addressed at an early phase and it is advisable at the early stage of presence to consider having also a Finnish person in India for the initial 1-2 year period in order to build trust both ways and to ensure the shift of the corporate culture and Finnish leadership and management in the Indian unit.

It is important that professional employment agency is used to vet all employees independently, also during normal operation of Indian subsidiary under Indian management.

Understanding diversity in India

India is as diverse as the spectrum of the EU countries. Each Indian state has usually own languages, cultures, laws, and practices. China is very much more uniform.

New Delhi is the political and governmental centre. Mumbai is a financial hub and a business centre. The State of Kerala has better healthcare than many European countries, and 100% literacy. Bangalore is an IT and innovation hotspot. Chennai is important for India mainly because of Nokia but also because of its diverse manufacturing industry. Gujarat is very dynamic but politically challenging. The Southern states of India (Tamil Nadu, Andhra Pradesh, Karnataka, Tamil Nadu) are generally good business locations whilst northern part is often called as 'cow belt'. In the West, Pune in the vicinity of Mumbai has quickly become an important manufacturing industry base.

It is important to select correct location for business. As business is usually quite local (state level), it is important to build a road map for India and have a controlled expansion plan. Customs fees and taxes are collected for goods moving between different states. In every case, a lot of operational presence from head office is needed in the beginning of a new daughter company or office in India.

Bureaucracy

The level of bureaucracy is high in India both in private sector (agreements) and in dealing with authorities. Taxation is complex and customs & excise at ports is slow. Bureaucracy in banking, permits, licenses, and in tax offices plus different laws in different states makes business challenging. Hiring or outsourcing a professional accountant and an experienced legal partner are a must. However, starting business is easier in India than in Russia or Brazil.

Entry barriers in India are high because import duties and partly manufacturing taxes are somewhat high even if improvement is taking place. Local companies and goods are often favoured, particularly in public tendering, whilst in consumer goods in particular foreign goods are more desirable.

Company brand

Indian companies use more money in visibility and PR than companies in the west. For foreign companies in India, ministerial delegation visit will help substantially to lift western company's value if properly visible in the media. Western companies are respected in India and they are often preferred employers, but on the other hand, local companies may be preferred in tenders, especially if they have personal relationships with buyer.

Weak infrastructure

Electricity blackouts and bad roads are operational problems for companies. However, telecommunication infrastructure is generally good. Selecting business location from this viewpoint is also important.

India training for Finnish companies

Theoretical training can not give enough competence hence it is necessary make fact finding trips in India for which companies should also prepare themselves very well.

Future training needs might also be in sectoral training. For example, food sector is developing fast in India. As reference, the Finnish Food Safety Authority has training on rules and regulations on Russian food sector.

Future training might include also practical negotiation and bargaining sessions and sparring, preferably with Indian counterparts.

Ideas for training topics received during this survey:

- IPR
- Importance of the right operational model as per market entry
- HR and recruitment
- Various partnership and client issues.

Current training for India

Fintra – Doing Business in India

Training includes courses in Finland, two day visit to India to meet contacts, and company specific consultations.

Avaintulos Oy – Aasialaisen liiketoimintaosaamisen koulutusohjelma

The course focuses to China but has two day module about India. This fourth Gateway training programme 16.11.2009.–2.7.2010 is part of employment training arranged by ELY Uusimaa and subcontracted from Avaintulos Oy.

Tampere University –Business skills for Asia

Asian business studies in connection at Department of Management Studies and International School of Social Sciences. Topics cover 'Introduction to Asia as a Business Area'; 'Greater China Asia as a Business Area'; 'Asian Business Cultures and Negotiation Styles'; and 'Legal Aspects of Asian Business'.

India reference material

India in Global Economy Megamarket and Micro-Consumers; Eeva Nuutinen; Turku 7.10.2009

Doing Business 2010 in India – Comparing Regulations in Economies; The International Bank for Reconstruction and Development / The World Bank

Global partners for global challenges: The EU-India Joint Action Plan (JAP); European commission; Marseille, 29 September 2008

Food processing Market in India, January 2009; New Zealand Trade and Enterprise

Ihmeellinen Intia - uusi talous - vanhat ongelmat; 2009; AKAVA

Indian entertainment and media outlook 2009; PWC

India Environmental Assessment 2009, World Bank / Senes Consulting

Engineering Sector Looks Ahead, KPMG India, 2010

Technology Foresight for Competitive Dairy Industry: A Case of India; Center for Studies in Science Policy JNU, New Delhi; 2009

Country Strategy for the Republic of India; International Bank for Reconstruction and Development – International Development Association – International Finance Corporation; Nov 2008

Intia suomalaisen yrityksen toimintaympäristönä; Helsingin Kauppakorkeakoulun kansainvälisten markkinoiden tutkimuskeskus CEMAT; 2008

LifeSciences Focus Topics and Opportunities 2010; Finpro Life Sciences CIT report

Suomalaiset tytäryhtiöt ulkomailla 2007; Tilastokeskus

Intia maaraaportti; Joulukuu 2009; Finpro.

Russia Foresight Country Report

Economy

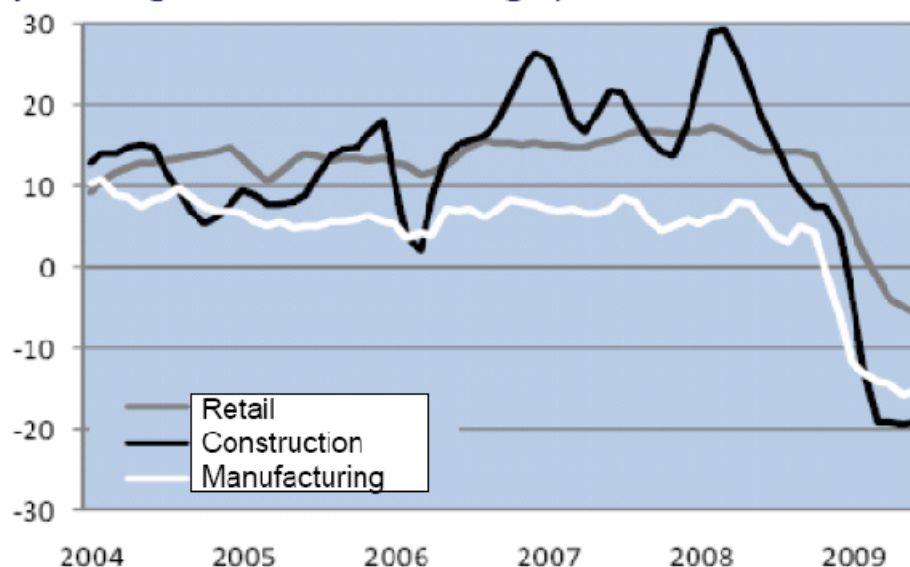
Russian national production is expected to have reached lowest point and is slowly starting to increase, beginning from consumer demand and exports to Russia. Some sectors are already showing signs of recovery. Earliest signs of growth in import to Russia are on areas where raw materials, goods and components are stored in Russia. Stocks have now run down and new orders coming to western suppliers. Examples of such areas are chemicals and building materials. Economic downturn has had less effect in consumer behaviour in major cities like Moscow and St Petersburg. In contrary, some Finnish companies have considered this as an opportunity to get more market share.

Forecasters expect GDP to grow 4-5% in 2010 driven by rising oil price which some expect to go over \$100 in 2011. Full recovery to 2008 will be achieved on 2012. Natural gas demand in Europe is also increasing which benefits Russia. Government policy for the future is to stabilise the economy and improve conditions for new investments. Effort will be put into modernization of industry by developing key industrial sectors and new technologies, also with foreign partners.

Compared to India and China, Russia is currently the most fragile of these economies. But Russia has also strengths since Government's debt has been very low (7% of GDP) and it has also relatively low budget deficit (-7%).

Export to Russia is expected to grow faster than Russian GDP in short term because Russian companies have not significantly been able to replace imported goods with Russian production, but government's intention is to develop national capability.

Annual Change in Production, % (sliding 3-month average)



Source: Bank of Finland, Rosstat

Russian government's priorities for 2010 are economic modernization and innovative development. Before recession, Russia focused on investing to transport, mining, electricity production and manufacturing. Most active investment target directions were oil producing regions and Central-Russia, Yamal Peninsula and Caspian Sea region. Investments to North-West Russia to Barents Sea region have also increased substantially. National development programmes initiated by Putin focused on healthcare, living conditions, education, and agriculture.

Protectionism has increased as result of Government's anti-crisis actions. In 2008 became law of strategic industries and state corporations. In addition governmental anti-crisis programme included temporary increase of import duties on consumer goods and raw materials. Import and export fees are main tools that government uses to protect industry. One example is roundwood export duties.

Strategic sectors that affect Uusimaa businesses may be limitations for foreign companies in the 'Strategic Industries Law' to acquire more than +10% ownership in telecoms, (but not internet providers); nuclear materials, devices, and waste sector; aviation and space; geological survey and exploration.

Nationally important strategic sectors that are protected from foreign competition are energy, transport, car industry, aviation, ship building, and safety & security sectors. Russia is looking to develop big national companies on these sectors.

Certain regions have been nominated to preferential special economic status for industrial production, R&D, tourism and port and airport activities. One of these is special economic area for R&D in St Petersburg.

Russia has progressed beyond transition economy and entered market economy where business environment is much easier to western companies, but there are still some transition economy problems and unpredictability.

Russian population is expected to decrease meaning less workforce is available for growing economy. This, together with economic pressures, is creating need for outsourced services for example in ICT and cleaning. However, before Finnish outsourcing companies could use Russians to deliver western quality services, employees must be trained to quality standards. Training might create future opportunity for Finnish training companies.

Russia has significant Muslim population (14%) of 19 million and it is growing fast forming niche class of consumers. Middle class is also growing and they prefer high end goods and are not very cost-conscious.

Finnish companies in Russia

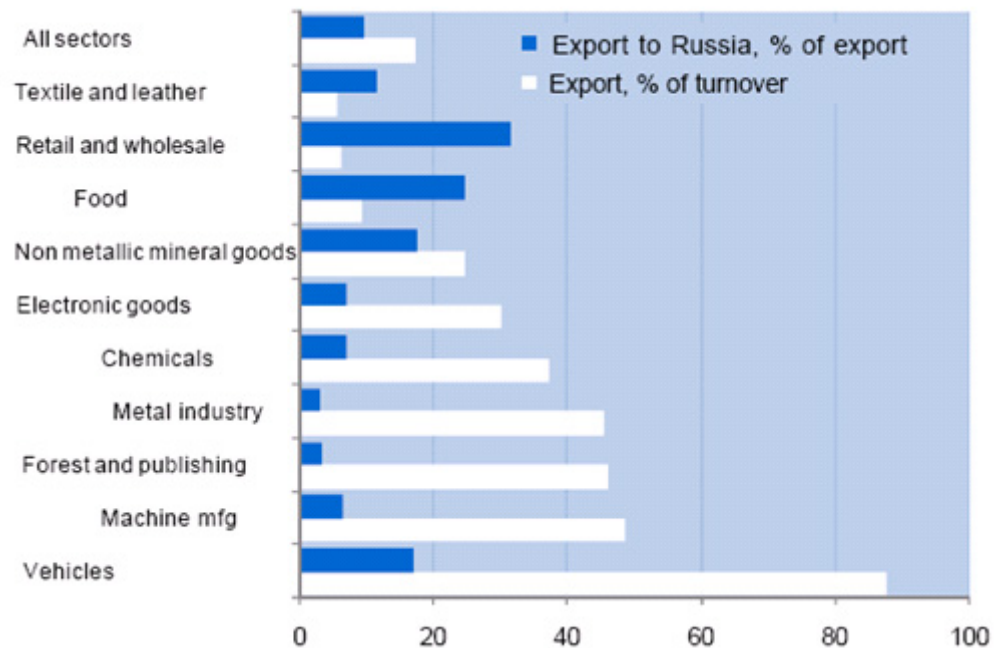
Around 383 Finnish companies have subsidiary in Russia, with total turnover of 5000 m€ and employing 40000 people. Finnish companies have invested in Russia mainly to retail, food production, and forestry, particularly in St Petersburg, Moscow, and Leningrad oblast (region).

Going to major cities farther away in Russia is a new possibility but perhaps in the beginning as supplier to major partners who can offer complete projects in gas & oil, and energy efficiency. Competition is becoming high in Western Russia in cities like Moscow and St Petersburg, as more big Western Europe companies start operations. Thus, more remote big cities may offer easier options. Remote Russian

cities having gas & oil projects also have rich consumers demanding high quality goods.

Chinese companies are increasingly present in Russia, even at close locations such as St Petersburg selling industrial and construction goods at lower cost than what Finnish companies can offer.

Share of Russia trade of all Finnish exports, and sectoral shares, 2006



Source: Tilastokeskus, Tullihallitus, VIRKE, Suomen Pankki / Siirtymätalouksien tutkimuslaitos

Finnish trade to Russia focuses on wholesale, food and retail sector. Construction services are also important and not correctly visible in export statistics since many Finnish construction companies have subsidiaries in Russia and are not exporting. Subcontracting of manufactured goods is suffering from border formalities.

One third of Finnish companies go to Russia because of large market potential in the country, and not to manufacture goods to western markets at lower cost base since manufacturing in Russia has many risk factors. Interest to supply Russian markets is expected to remain the main reason for Finnish companies to go to Russia.

Many Finnish companies go to Russia by following their large main clients. New subcontracting opportunities may be to establish production next to major foreign company already established in Russia which looking for new subcontractor offering better quality components.

Future potential opportunities for Finnish companies are:

- shipbuilding subcontractors
- environment technology, including bioenergy and water plants

- advanced mobile ICT services, outsourcing, WiMAX,
- infrastructure; refurbishment of water- and sewage pipes
- major construction projects; Sochi Olympic site, gas pipes, Barents region development
- improving production, reducing waste and fine tuning processes; energy production and forestry
- defence technology equipment but only in cooperation with Russian partners
- service sector; B2B services such as cleaning, property management services
- food ingredients and other life science related components
- outsourced occupational health services
- Russia has 11 other cities of over 1 million inhabitants. Those cities should also be considered since competition is not so high there.
- Joint media and film production especially for advertising sector

Healthcare, pharma, biotech

Russian population is expected to decrease from 141million (2007) to 127 million in 2025. Main reason is low birth rate and short expected life time of current population.

Medical device market in Russia is growing rapidly although also affected by the recession. The equipment in hospitals is often obsolete and the entire social and healthcare system needs large improvements. Finnish export of medical equipment and pharmaceuticals has maintained best export volume during recession.

Russian biotechnology companies are eager to forge joint ventures and partnerships with Indian counterparts. The Russian Biotechnology Society has reported high levels of interest from its 4,000 members in areas including vaccines and clinical trials, in order to help commercialise innovation. Russia's nascent biotherapeutic sector could benefit substantially from interaction. There should be business opportunities for Finnish high-tech components and contract research & development providers.

The poor state of Russia's hospital network is a significant hindrance to the country's efforts to improve medical services and lower the country's disease burden. While official World Health Organization (WHO) figures suggest the country has a particularly high number of hospitals for the population, access to modern medical facilities is poor.

Government is suggesting that the private sector will play an ever increasing role in providing medical services. Some western companies have established still small but growing networks of private clinics in Russia, for example German insurance group Allianz and CIGNA International Expatriate Benefits (CIEB) that recently expanded its international network in Russia by adding 4,000 new hospitals and clinics.

Government is planning to regulate prices of imported vitally important pharmaceuticals as of January 1, 2011

The Russian medical device market is growing and the demand for imported devices is high. Major international brands already have solid positions and competition is high. Finnish suppliers are not yet visible in all diagnostic sectors in Russia; main competitors are from Germany, Japan, USA and Switzerland. Chinese companies are more and more active.

Physiotherapy is very popular method of medical rehabilitation in Russia but the equipment base is 20-25 year old. There is a clear demand in Russia for new physiotherapy equipment, although private clinics are not very actively buying new equipment. Russian has also 1600 fitness clubs mainly in Moscow and St Petersburg area. Annual growth of sporting goods market is 17-19%.

Health-IT is in the consolidation phase and foreign companies could have opportunities.

Environment industry

In Russia, more than 90 percent of solid industrial waste, 60 percent of air pollution and over 25 percent of water pollution comes from industry. The maximum pollution charges that companies have to pay are 7-10 times lower than the actual costs to remove or reduce pollution.

Russia has new water policy which means drastic rise in environmental fees. Ongoing but slightly less popular measures are installing automated energy metering and control systems, new efficient compressors, including refrigeration.

IFC is working with some European development agencies in Russia Cleaner Production Program (RCPP) to develop the sector. IFC will provide dedicated financing for cleaner production investments directly to large industrial and municipal enterprises, as well as extend credit lines to local financial institutions to on-lend for cleaner production improvements at medium size entities.

Focus areas are for example agribusiness - waste management & energy efficiency through the chain, cleaner production, biogas from manure, etc.

Water and waste water management

Currently 40 % of Russian people have low quality drinking water. Russia had drawn up a large-scale national program, "Fresh Water" which is aimed to improve drinking water quality and water supply service. The programme is expected to be initiated in 2010, and the government planned to invest 15 billion roubles. The ultimate target is to raise investments of water supply plants to 15% in 2010 and to 40% in 2017 from total plant expenses. The "Fresh Water" programme is looking to connect 90% of inhabitants into public water network, reduce loss of water to 15% and provide good quality drinking water to 83% of people in 2017.

ICT

ICT sector in Russia has grown 15% annually and IT. Biggest growth has been in IT services (30%) and in some special sectors such as ERP. Despite of economic downturn ICT is expected to grow, especially outsourcing because Russian companies are reducing workforce and their fixed costs, creating demand for

outsourced ICT services. Russian own outsourcing sector is still developing which offers opportunities for faster moving western companies.

Russian companies both in ICT, mobile, and other sectors tend to have big in-house IT departments that develop anything the company needs. Mobile operators typically develop their own digital services solutions. Own IT department is costly and cannot benefit from innovations made outside of the company. In the long term this is unsustainable for two reasons. Current economic climate forces Russian companies to reduce costs and own IT department is one of the non-business critical cost units that can be outsourced. More importantly, small independent companies can typically develop new innovative digital services faster and better than department in major companies.

Outsourcing

Russia is expected to emerge as a strong contender in the IT outsourcing market. It is currently the third largest IT outsourcing supply market, behind India and China. Finnish companies have expertise on offering outsourcing services to companies, and this offers further opportunities in Russia.

Finnish ICT companies have entered Russian market very cautiously. Currently only twenty companies have offices, mostly in St Petersburg serving there for Finnish clients. However, recently more companies have started operating in Moscow, where 80% of ICT market is, to serve also Russian and other western client base. There is much room for improvement. Russians consider positively western IT solutions localised for Russian market, but local references are valuable.

Russian IT companies specialize in high-end software and embedded software product development, which acts as a differentiator from lower-priced offerings from Indian companies.

Experts are forecasting Russian ICT market to grow substantially in and after 2010 particularly in healthcare IT, oil and gas sector IT, and financial services IT.

eGovernment

Electronic government systems for end-users filing documents to authorities are missing. All dealings must be made personally. This might be an opportunity for Finnish eGovernment suppliers.

Mobile networks and services

Russia is building 4G WiMAX network for businesses and consumers who want to access gaming, music, video streaming, and transfer large files. Finland is perhaps slightly behind in this sector. However, digital mobile content services are important sector for Uusimaa and opportunities exist in having development centres in Russia. on the other hand, Russian army has interest and influence on use of 4G applications and frequencies.

eCommerce

Russia has the third largest population of Internet users in Europe. Ozon.ru is the major online retailer in Russia with turnover of 140 €m in 2008 and growing fast

although overall development of online retail is still relatively slow. Credit cards and not very common and consumers distrust online payments and worry about fraud. This is the same situation as in Western Europe in the middle of 1990 but is expected to change in few years. Online retailers use couriers and take cash on delivery to sidestep the post.

Food

Export of food products from Finland to Russia is small, only 5% of total exports, but expected to grow in the future faster than to other countries. Food exports to Russia are 35% of Finnish food exports and almost half of it is milk products. Food safety is becoming an acute topic in Russia. The standards systems, as presently applied, provide insufficient protection for human plant and animal health. In Russia, food safety is nowadays taken into consideration in the new Technical Regulations for dairy, fat & oil, meat, confectionary and juice products. The Technical Regulations for Fat & Oil Products that came into force 28.12.2008 were the first Russian legislative act which introduced the term of traceability. However, there are nor instruments neither resources to control implementation of new regulations. Selling faulty products or food staff after the best before date is still a commonplace for all retailers.

EVIRA – Finnish Food Safety Authority – is has been training Finnish companies in regulatory aspects of food export to Russia (milk, fodder, meat, and fish).

Demand for organic food in Russia is expected to grow in the next few years as the population becomes more prosperous. Moscow has already several organic food shops. Only about 5 percent of Russians, or 7 million people, would prefer to buy only organic food while the share of such people in Europe is 32 percent.

Retail

Russia's total retail sales will increase by nearly 76% in local currency terms by 2014. However, there is some catching up to do since during the last year retail sales went down dramatically, as well as incomes and buying capacity of population. Rising disposable incomes, an expanding middle class and rising levels of credit penetration are key factors behind retail market expansion, particularly with the affluent urban population of Moscow. Retail sectors that are likely to see substantial growth over the forecast period include over the counter (OTC) pharmaceuticals, consumer electronics and automotives.

Retail chains are developing, including many foreign companies setting up their own but growth may face competition and limits particularly in Moscow and St Petersburg region.

Those Finnish companies who are on the market have experienced capacity problems because demand is growing fast, especially in retail sector.

Russians who are wealthy and perhaps have only one child, increasingly look for high end goods and services that are best for the child, regardless of cost. Particular problem for Finnish consumer goods and services sector is that Finland

as small country has not developed certain solutions that high-end consumers need (for example food shopping and home delivery on internet).

Transport sector

Russian government has approved large transport development project called "Development of the Transportation System of Russia (2010-2015)" and allocated 5.3 trillion roubles from the federal budget and 1.7 trillion from the RF Investment fund for building new roads, railways, and sea and airports. The programme has subprogram "Sea transport" for 2010-2015 with budget of 630 billion roubles.

Some of the new major roads are expected to be toll roads with payment to users. Russian own production of road construction machinery has been small and the new projects are expected to increase opportunities for Finnish machinery companies.

Energy

Russia has policy to reduce energy intensity 20% by 2020. There is need for substantial investments in all renewable energy and energy efficiency sectors. Rise of energy tariffs is expected to continue and reach European level by 2013.

Government is planning to invest in new nuclear plants and hydro-electricity production. By 2030, the Government hopes, nuclear will account for over a third of the country's power generation, compared with 16% at present. Government is expected to pay half and major companies another half of the costs.

Energy efficiency

IFC's Russia Sustainable Energy Finance Program (RSEFP) makes available US\$7 million own funds and \$1.125 million of donor funds (Denmark, Finland and IFC's Sustainable Financial Markets Facility) to catalyze the development of a sustainable commercial lending market for energy efficiency investment in Russia.

Most important high budget projects are updating manufacturing equipment, and secondly upgrading heating systems and building insulation.

Understanding of environment issues and energy saving is increasing in Russia. Urban planners are increasingly making environment friendly plans for urban living. Planned areas are typically whole suburbs with housing and facilities.

Services sector

Service sector companies form the largest part of members (45%) of the Finnish-Russian Chamber of Commerce, industry is 35%, retail and wholesale is 15%, and construction and other is 5%. Major part of Finnish services exports to Russia are travel services and B2B services such as machinery maintenance, engineering and technical services, such as construction services. New entrant is Itella that offers customer relationship marketing and campaign services.

Demand for services is growing particularly in NW Russia where wealthy people are moving to work in oil and gas industry, and related suppliers.

Leisure, travel

Competition has been high for very long time and consolidation of Russian travel market continues. Statistics for the first half of 2009 say there was a reduction of

22.6% in the number of Russians travelling abroad for leisure purposes. Number of Russian Tour operators has reduced by at least 15 % by October 2009. This is partly due to the economic situation in the market but is mainly linked to the law implemented in 2007 requiring all tour operators working with agencies to have financial guarantees. Mice and corporate travel is suffering.

Russian visitors to Helsinki form second largest foreign nationality group (10%) but the numbers have decreased -10%. If Russian consumer demand is big part of country's recovery, then travels to Helsinki are expected to start to grow.

Education & training services

Eastern-Uusimaa has Russia-network named 'Itä-Uudenmaan palvelusektori oppii, kehittää ja verkottuu Venäjällä' that arranged in 2007 training and networking events for Finnish and Russian travel industry companies in Finland. The training concept was considered good since it included working with Russian partners.

Training level of Russian construction employees is fairly modest, and to improve that, number of Finnish construction associations and companies have established a trust (FINEDU Rakennus-, kiinteistö- ja ympäristöalan Venäjä-koulutusyhteistyön tukisäätiö) which intends to arrange further education and training for employees of Russian construction companies, and on the other hand, make training services as new business in Russia.

Russia has needs for further adult training and education in many professional sectors. A number of Finnish training organisations, including many from Uusimaa, have studied these opportunities but actual business is still emerging opportunity. Training organisations are good at their own specific areas but may themselves need training on how to do such business.

HSE SME Centre (Pienyrityskeskus PYK) arranged in 2009 training (Young Business Academy) for young Russians wanting to be entrepreneurs. According to PYK survey, 80% of students in St Petersburg are interested to start business but don't know how. Training was conducted mainly in Finland (Helsinki) and more courses are expected in cooperation with Finec (St.Petersburg State University of Economics and Finance), and supervised by Miset and ELY Etelä-Savo, and is partly funded by European Commission TACIS. In 2010, PK started Global Business on Technology (Globtech) course in cooperation with Itmo (St. Petersburg State University of Information Technologies, Mechanics and Optics), bringing 15 Russian managers to Mikkeli.

Engineering design & architectural services

This is growing new opportunity where Finnish design services to western companies, both in technical (CAD) side and in architectural and industrial design side can offer. The services may be subcontracts for western companies that are planning projects in Russia. Finnish competitive edge over other European suppliers is language and cultural knowledge. Currently Finnish suppliers offer services mostly to Finnish companies.

Media services

Emerging opportunity for Finnish media companies in the future is to offer marketing and media services in Russia for those western companies that want to have larger capture area, like Baltic countries and other Eastern European countries from same service provider. Russian services are good quality but don't cover widely enough for Western needs. Finnish companies have also studied possibilities of making joint film productions with Russians especially to advertising sector and found substantial interest.

Technology parks

The Russian Federation has programme to develop new technology parks called The State Program for Establishment of High-Technology Parks and has now six parks with IT focus.

Finnish Technopolis Plc has signed contract for the first phase of the Pulkovo technology center in St. Petersburg. The new technology center is located near Pulkovo airport, on the plot owned by Technopolis St. Petersburg LCC, which is Technopolis Plc's fully-owned subsidiary.

Construction

A number of Finnish companies in construction sector are trading in Russia. Some cases have gone one step further by looking new ideas and proposing to public and private sector. Shopping centre building has traditionally been the most important sector. More knowledge and training would be needed, for example, in how to acquire Russian financing.

Property development

Major Finnish construction companies are in many cases property developers that look for development opportunities, develop projects, acquire financing, and subcontract work.

Future opportunities would be for Finnish construction companies to set up joint funds with major Russian construction related partners. Project financing is currently weakness. Separate company operated funds are instruments that western European companies in other countries use, but Finnish companies mainly don't know enough, and this might be one sectoral development need.

Materials

The construction and construction material industry market is still growing in Russia. The financial crisis has halted half of the construction projects in Russia, which among other things will lead to a huge shortage of housing in the next two years. The Russian government has promised to put 3-4 billion euros into a structural change in housing and construction projects.

Since energy saving is important, smart homes and green building would be interesting, although Finnish companies have not been very interested at the moment.

Trend among Russians is to prefer more new houses build on turn key principle. This means more construction materials will be distributed to big B2B customers such as to construction companies instead of current DIY segment.

Chinese suppliers are starting to offer goods at very competitive prices and in some cases even custom made products, for example in sanitary goods sector.

Houses and buildings

Important future demand in Russia is for single-family houses and for the construction of new and renovation of existing apartment buildings. Finnish strengths lie in know-how, construction technology, and environmental planning.

Russia has substantial need to renovate old buildings and houses. St Petersburg area alone has 89 000 000 m³ in need for renovation. In 2009 government is supporting renovations with 0.8b euros. The support is tied to energy efficiency measures.

It is expected that after 3-5 years there will be severe lack of houses of all types. Apartment block construction is currently weak because of economic downturn. The gap between demand and supply is increasing fast. There is also trend of millions of people to move to suburban areas and own houses.

Building private homes and small apartment blocks will become important business opportunity. Projects will be big and require local manufacturing of concrete elements and building components. House manufacturing must be local, either with or without Russian partner.

Renovation of historically important buildings

Many historically important buildings in Moscow and St Petersburg are in need for renovations. Finland has architectural and design offering, electrical contractors, doors and window suppliers that can offer suitable products and services, but projects must be done in cooperation with Russians because of regulations concerning such buildings.

Machinery and equipment

Russia has invested heavily to construction of new commercial shopping centres. Investments in factories and manufacturing industry have been low. This means still future potential for Finnish technology and manufacturing in Russia.

However, competition is high and those Finnish companies that are not in the market may be too late. There are much more Russian products and Russians believe they are equivalent to western products but cheaper.

Ship building and offshore technology are developing sectors in Russia because of gas and oil fields on sea, and possibly in the future because of more favourable shipping conditions in arctic area. Uusimaa region has some subcontracting and component suppliers in this sector.

Subcontracting

Successful subcontracting often is made by concentrating first on quality instead of quantity and starting with small batches or test-batches that, in case of problems, can be made in own factory in Finland. Russian subcontractors often visit Finland for learning and personal discussions. Russian subcontractors complain about big

orders from Finland coming unpredictably causing workload problems during the year.

In some cases it is less costly today to buy subcontracting from Finland to Russia (i.e road surfacing).

Sometimes Finnish companies have become themselves links in international value chain by subcontracting to international clients. In these cases Finnish companies may sub-subcontract some parts from Russia, and handle quality and delivery issues.

Finnish operations in Russia also use more and more local Russian suppliers and contractors instead of supplying parts from Finland. Problems still exists with Russian quality and standards. Raw materials used in end products going to western markets must meet western quality standards and Russians have not generally been able meet those.

Trading services

Approximately 1/4th of goods imported to Russia are transported via Finland. Also around 1/4rd of Finnish exports are actually transition trade. This is particularly important for Uusimaa because the region has relatively large number of transition trading and logistics companies. This trade has its own problems because it is high volume low profit margin business, and severely affected by changes in Russian economy, customs, taxes, and currency exchange rate. This sector employs few people compared to export volume it creates.

This sector has future opportunities to promote Finland as gateway to Russia, and Far East Russia. Western companies don't appreciate enough possibilities Finland can offer, including solutions for hub warehousing in Russia, etc, and Finnish knowledge to arrange multimodal transports.

Special feature in Finnish economy is that industrial production and export has diverged from each other from 2005. Finland exports much more than manufactures.

The Russian Federation is the world's largest net exporter of roundwood. To encourage shift in exports from roundwood to value-added industrial products, Russia has set large tariffs on its roundwood exports, and announced that even higher ones would be introduced in the future, after 2011. Russia's main export countries for roundwood are Europe and China.

Market access and problems for Finnish companies

Generally, business environment has become increasingly easier since Russia has moved towards market economy. Study made by CEMAT found that 53% of Finnish companies didn't have any special problems in their Russian operations. Generally, Finnish companies have often competitive advantage in Russian market over western competitors since some of the employees of Finnish companies know Russian business culture fairly well. Still, there are many companies that don't have such in-house expertise but want to trade in Russia and there are also

companies that have wrong assumptions about business environment in Russia today.

Relationships are important in Russia when looking for new projects. When projects become public, it is often too late to try to get contracts. Knowledge on upcoming projects is one step, having relationships which makes proposals possible is another important threshold.

Financing possibilities have also improved considerably, including availability of leasing but is not yet as well developed as in west. There is less need to provide financing from parent company in Finland. There is still inadequate financing to Russian SME clients and collateral system for loans is not working properly.

Quality of Russian raw materials is variable. Especially if Finnish food manufacturers would set up manufacturing in Russia, they would need agricultural raw materials with guaranteed quality, which is not case today. Grey imports are a problem but expected to slowly decrease in the future since tax officials are looking to increase tax income.

Russia is large country with substantial regional and climate differences that Finnish SMEs often forget. For example, ice breakers are needed in Black Sea area which in Finland is perceived only as sunny sea side resort area.

Business culture

Business culture in Russia is different, but not so much different as in India or China. General knowledge and experience on international business helps Finnish companies on Russian market.

Russians are more general and elaborate 'big picture' negotiators and Finns get impression that Russians are unclear in their message. Russian negotiation style is improving because they have begun to understand benefits to make efficient negotiations, and fast decisions. Email is used more often also for contractual documents. Paper documents are needed most often for authorities, inspections, and customs. Electronic documents are yet to come.

Finnish companies are not sometimes able to react quickly enough, to negotiate quickly and provide necessary information in time. Decision making is slow in Finland, especially if a decision means investments. On the contrary, Russians are slow with their decision when a public sector project is in question.

Human resources management

Employment regulation poses no problems for Finns, except when recruiting foreign employees which is bureaucratic. Number of work permits for foreigners are limited and depending on region. Permits are given for shorter period but application process takes more time.

There is lack of experienced workforce and gradually increasing production costs. Salaries of middle level and top level Russian experts may be higher than in west. Companies are competing on skilled employees, although Russian unemployment has risen. Benefits added to salary are important. One way to keep employees is to offer benefits since public services are not good enough in many locations.

Russian management style is authoritative and delegation to employees is often missing. Financial management in Russian companies (by Russian management) is still often a problem. Joint ventures have most difficulties in decision making since responsibilities and decision making process between main company in Finland and subsidiary's management in Russia is not working well.

Too much foreign (Finnish) participation in management of Russian company is expensive and ineffective. On the other hand, not enough attention will move decision making powers too much to the Russian partner. Balance is important. Very common is to have only one Finnish manager in Russia, often none.

Bureaucracy

Personal relationships are less important in business than earlier. However, relationships to authorities are still valuable and mostly taken care by Russian partners. Keeping up to date in juridical changes is difficult even for Russians.

Laws have become clearer but implementation still has some problems. Taxation has become clearer and lighter. Important laws and practices for foreign companies are registering business, licensing, and certification of products. Company registration, certification, and various permit processes are time consuming but generally fairly simple and non-problematic for Finns.

Health & safety regulations limit where same employee can work much more than in Finland, where employee very often can do whatever the person is able to do.

Finnish companies have most difficulties in Customs & Excise processes, and secondly getting various types of permits. Third place goes for getting employees.

Customs is still main problem for companies that must transport goods often across border, such as subcontracting sector. Personal relations of locally employed Russian management will help but sometimes it is better to move all manufacturing to Russia or back to Finland, or stop using Russian subcontractors at all. Customs & excise rules have been simplified but implementation may not yet be complete.

Particularly subcontracting suffers from slow border clearing processes. Russia is not very attractive country to subcontract manufacturing, although cost levels are still lower than in west.

One of the problems is authorities coming often to inspect company. Most often inspections were made by police, then next veterinary authority, tax authority, local administration, fire services, and building inspector, in that order.

Bookkeeping and accounting takes lot of time. Each company must have a chief bookkeeper, who is the second important person in a company. Outsourcing of bookkeeping is not as common as in Finland. Administration costs of project in Russia are two time bigger than in similar project in Finland. Electronic government (e-Government) systems for end-users filing documents to authorities are missing and all matters must be made personally.

Russia training for Finnish companies

In a TAK study 21% of Finnish companies say lack of knowledge main factor of not doing business in Russia. Some have participated training courses and seminars. Those who have some experience from Russia complain that many courses have too much general information and not enough advise how to handle practical daily issues, especially from SME viewpoint.

Ideas for training topics received during this survey:

- Training on Corporate governance; how to work with Russians in Management Board and with Russian Managing Director
- Training for board members and Managing Directors on how to recognise internationalisation opportunities – purpose of this training is not to give skills on particular market, but to lower threshold and give understanding what skills are required in the company if company is going to international markets. Finnish companies are too reluctant even to follow their main client to international locations, even if the client asks. Assumed reason is that unknowns are too large and therefore considered risky.
- Russian decision making process, particularly differences in very big projects (for example Gasprom), medium size projects (where decisions are made by companies, perhaps jointly with local authorities), and smaller infra projects (where local authorities are main players). Problem for SMEs is where the right door to open is.
- How to get Russian funding for major projects.
- New goscorporations and how to deal with them
- What kind of partner company should look from Russia
- Employee exchange between main company in Finland and Russian subsidiary
- Training Russians in engineering, technical areas, and services. This would benefit indirectly Finnish companies since they would get professional people who understand western standards and can comply with working practices used in the main company in Finland.
- Training and trade missions regarding other cities in Russia having over one million inhabitants

Instead of one week meeting trip, companies should spend time at local market doing their market assessment, working with locals and visiting companies. More Finnish business incubation offices are needed.

Incubation service should be connected with training and focus on studying market opportunities in Russia. Along with the training in Finland, the top management of the company would spend one month at incubation centre experiencing details on Russian culture and business practices, meeting potential partners, and doing market investigations. Good broadband connections from incubation centre to

Finland would still allow Managing Directors to take care of the company's daily business remotely.

Current training

Suomalais-Venäläinen Kauppakamari – SVKK arranges 3-6 hour long practical seminars on various issues in legal sector, business financial and human resources sector, and on sales and marketing. Annually SVKK arranges around 50 seminars that have about 900 participants in total. SVKK arranges also many lecturing and seminar events in Russia for Finnish companies and Russian partners in Finnish trade.

The Camber has missions to regions such as Kazan (oil and gas industry); Vologda (steel); Kaluga & Jaroslavl (near Moscow but less costly); Novosibirsk (minerals, manufacturing, etc); Rostov-na-Donu (South Russia); Velikij Novgorod (between Moscow and St Petersburg). May of the events are associated with ministerial visits.

Sectoral training includes agricultural products and services to Russia and opportunities for service industry in Russia.

Starting export to St Petersburg programme 2010 course consists of one day training in Finland, two days at St Petersburg, and one day conclusion in Finland.

University of Helsinki, Palmenia - Kakkois-Suomi ELY Centre has subcontracted Palmenia to arrange Russia and China customised business training courses during 2010. Student selects either China or Russia as focus area in training. Training has strong focus on student's own development, includes language skills training in English, and practical course work that benefit the company. Training includes company visits in Russia (St Petersburg) but not match making.

Aalto University School of Economics - HSE –PYK - HSE SME Centre (PYK) arranges educational courses in Specialisation into Russia Trade. The course is run in cooperation with CEMAT (Centre for Markets in Transition) that studies BRIC and other transition markets.

PYK arranges also courses in St Petersburg for Finnish companies with topics in logistics, procurement, import-export, and boosting & and personnel management.

Haaga – Helia 2009-2010 - Project "Itä-Uudenmaan Venäjä-osaamisen kehittämishanke V vaihe" has special focus on culture, cooperation with educational sector, and involving companies especially in environment sector. As one result, University of Helsinki is establishing professorship of Russian energy policy.

Eastern-Uusimaa has Russia-network named 'Itä-Uudenmaan palvelusektori oppii, kehittää ja verkottuu Venäjällä' which arranged in 2007 training and cooperation events for Finnish and Russian travel industry companies. Particular focus in 2007 was travel industry and cooperation in educational sector. The topics were Russia-network develops Russian language and culture knowledge, business knowledge, and educational networking with purpose of bringing Russia knowledge and work exchange in travel and catering industries, participating companies, and business education.

Partners in the project are: Porvoon kaupunki, Itä-Uudenmaan liitto; Haaga-Helia ammattikorkeakoulu, Edupoli; Porvoon kauppaoppilaitos, Inveon; Borgå folkakademi; Posintra Oy; Kansantaiteiden edistämisyhdistys ry, and Porvoo A-i-R ry.

Palcon Oy - Palcon Oy is private expert and consulting company which arranges also Russia business training. Training has some general cultural sections but also includes participants to develop Russian company brochure and B2B contacting mission to Russia.

Eduhouse Oy - Eduhouse Oy is private training company offering to companies from short term training to long term personnel development programmes. "Davaï" Russia Business Assistant Training (2009) is organised in cooperation with TEM and intends to give person capabilities to act as assistant for Finnish company in Russia.

Fintra - Fintra arranges 'FINRUS' training in 2009 which included basic training in Finland, internship in Russia, and company visits and meetings. Fintra also arranges 'Doing Business in..' trainings for Russia, India and China. In addition, Fintra has general export training.

TOP Instituutti Oy / SYKLI - Course "Expert on International Environment Projects" with special focus on Russia and new EU countries. Training includes introduction to international public funding sources.

EVIRA – Finnish Food Safety Authority - Short courses on food export to Russia (milk, fodder, meat, and fish). Course focuses on regulatory aspects.

ADULTA - Adulta arranges inexpensive courses in many various sectors, including entrepreneurship, and Russia as Business Area. Some courses are available on-line.

Training outside Uusimaa region

Lappeenranta University of Technology - International business in Russia 2010-2011 – Training is arranged in cooperation with the St. Petersburg State University Graduate School of Management and covers the usual subjects of business culture, legal problems, cultural aspects and maintaining efficiency and productivity in business. Training can be part of MBA studies.

- Innovation as competitive edge in Russia 2010-2011 – module is associated with above course.
- Russian economy and market in global context 2010-2011 – focus on macroeconomy and investments into Russia.

Aalto University SME centre Mikkeli - Changing Russia and Russian governmental administration – focus on education public service organisations on new Russian administration in the view of improving public sector cooperation between Finland and Russia. Topics include general administration forestry sector, agriculture, educational sector, and social & healthcare sector.

Tampere Summer University 2010-2011 - Russian business training course to develop personal skills. Subcontract from ELY Pirkanmaa. The training has special

focus on languages. Students can select Russian or business English. The course includes also business culture, business documentation, and usual business related issues. Students have option for internship in St Petersburg for 70 days.

Kainuun ammattiopisto, aikuisopisto 2009-2010 - Kainuu region is focusing training especially for travel industry.

Russia reference material

BOFIT Venäjä-ennuste 2009–2011; Suomen Pankki BOFIT – Siirtymätalouksien tutkimuslaitos

Doing Health Care Tech Business in Russia - Economic Situation and Protectionism in Russia; Confederation of Finnish Industries; 2009

Russian healthcare system, Private sector & Opportunities for Finnish providers of healthcare equipment, Technologies and services; Finpro; 2009

Doing Business 2010 in Russia – Comparing Regulations in Economies; The International Bank for Reconstruction and Development / The World Bank

FiHTA ry:n Kiinan ja Venäjän viranomaishyväksyntäprosessien ja -vaatimusten kartoitus; teknologiateollisuus / Aidertech; 2009

Kymenlaakson SME yritysten Venäjä-yhteistyöpotentiaali; Helsingin Kauppakorkeakoulun kansainvälisten markkinoiden tutkimuskeskus CEMAT; 2007

Leningradin lääni yritysten toimintaympäristönä – SME focus; Helsingin Kauppakorkeakoulun kansainvälisten markkinoiden tutkimuskeskus CEMAT; 2008

Duo: Russian housing and construction materials opportunities; Finpro 2008

Suomalaisen yrityksen strategiat Venäjän muuttuvassa liiketoimintaympäristössä; Helsingin Kauppakorkeakoulun kansainvälisten markkinoiden tutkimuskeskus CEMAT; 2008

Life Sciences opportunities in BRUC; Finpro;

Venäjän-kaupan Barometri Syksy 2009, SVKK

Suomalaiset tytäryhtiöt ulkomailla 2007; Tilastokeskus

Suomen Venäjän-kaupan yritys rakenne; 2008; Suomen Pankki BOFIT – Siirtymätalouksien tutkimuslaitos

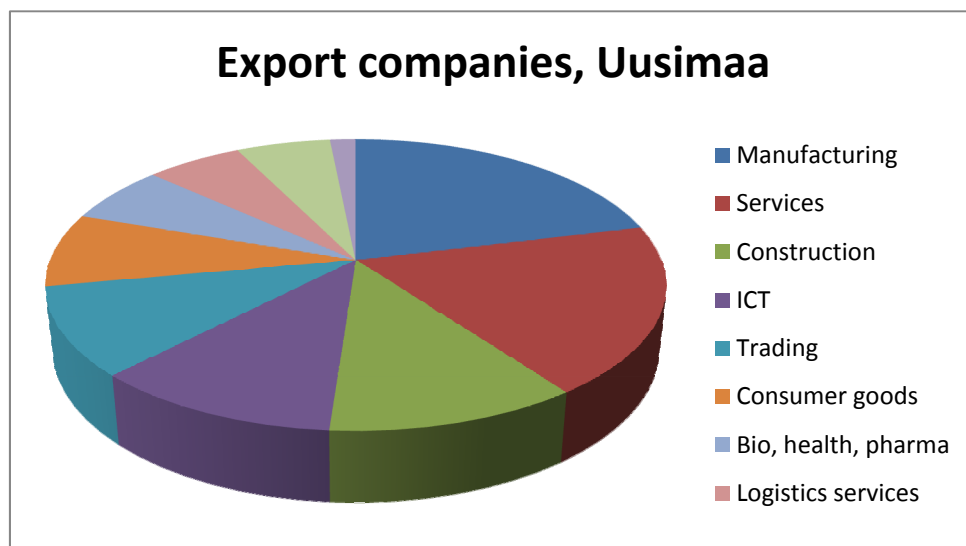
Haasteiden Venäjä; 2008; Puolustusministeriö

Venäjä maaraportti; Helmikuu 2010; Finpro

Export companies in Uusimaa region

Summary

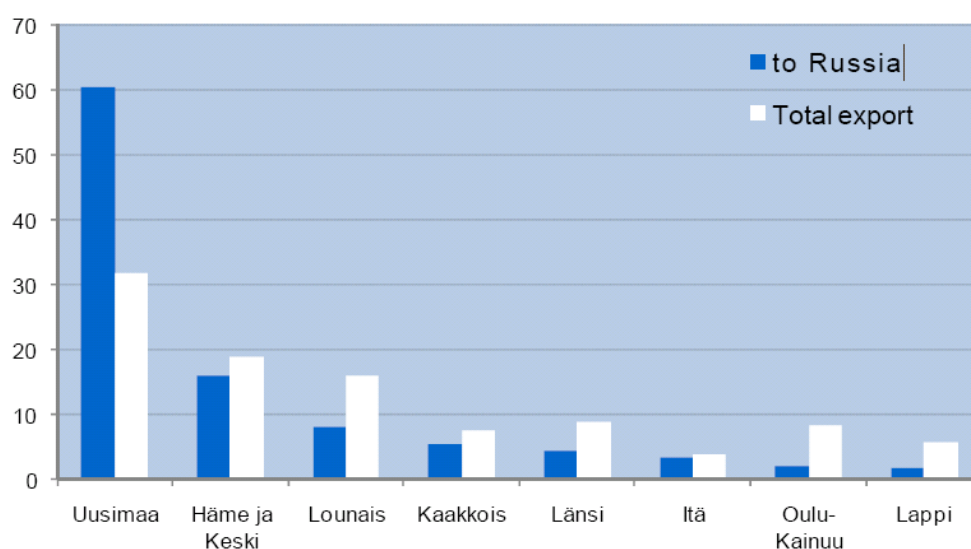
This part of the survey maps what Uusimaa can offer to export market. Results are used to match offering to the new opportunities found in other parts of the survey. Only companies and products from Uusimaa were considered. In total, survey found 808 export companies in Uusimaa. Of those, 219 were considered as 'mature' and 589 as 'expanding'.



Source: Finpro

Metal manufacturing sector is more important to Uusimaa than the pie chart below indicates because many subcontracting manufacturers are statistically put into service sector.

Manufacturing industry exports; to Russia % of total exports; total export % of turnover, 2006



Soure: Tilastokeskus, VIRKE, BOFIT

India and China are generally suitable for products where distance does not matter very much. These are, for example, manufactured goods, ICT software, and environment goods. Changes and new business opportunities in India and China are particularly important for these sectors.

Russia is important to Uusimaa companies particularly in manufacturing, services, construction, trading, consumer goods, and logistics sectors. Manufactured goods are interesting case because it for some reason is relatively much larger than in other regions in Finland.

The reason for big manufacturing export in Uusimaa is not quite clear from statistics, but may result from high volume, low margin transitio trading (including cars), or from fact that headquarters of many major Finnish companies are in Helsinki, and export may be counted statistically at headquarters location, and not at production location. However, headquarters of major Finnish companies in Uusimaa don't manufacture, employ, or maybe even produce many export euros in Uusimaa itself, and they have limited and special needs for training, many cases for top management level.

In addition, major international companies have regional offices in Uusimaa. Often those subsidiary offices act partly as trading companies by exporting goods from their international parent to nearby countries, to Russia, Baltic countries etc. Sometimes such goods, and even invoicing, may not go via Finland. What is left for Uusimaa from this activity is some jobs and need for logistics services.

Uusimaa region is different to other regions in Finland also because Uusimaa has more exporting companies in service sector, construction, trading and logistics, than in other regions in Finland.

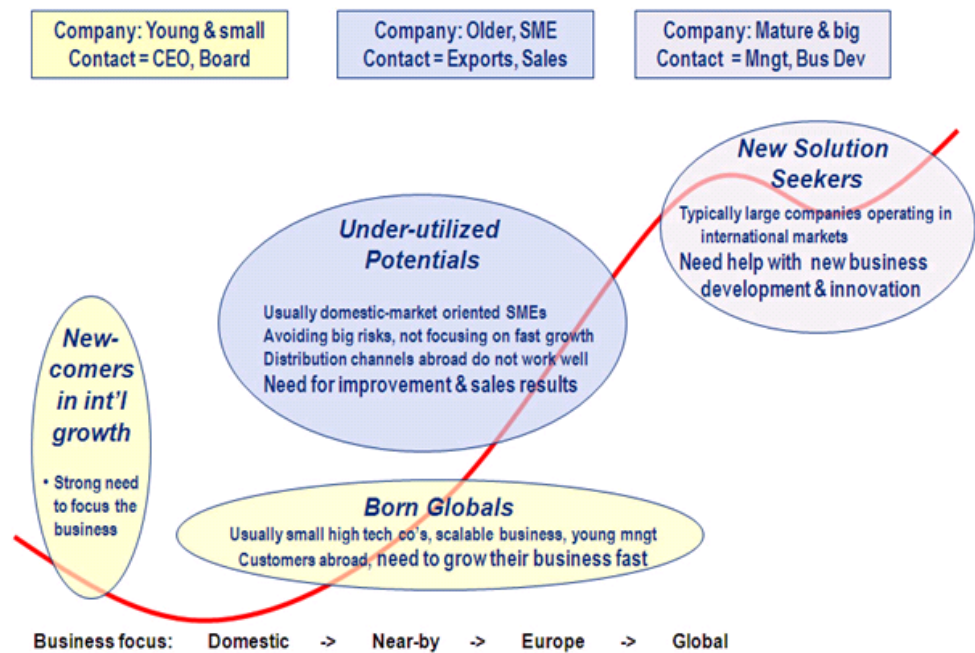
The survey found out that many major Finnish companies, and also subsidiaries of global companies in Finland, treat Russia (and other nearby countries) as home markets, which in company strategy are not much different than selling to Finland.

This survey looked companies in two different categories,

- a) Big mature companies that have well established export markets and don't need very much business development. They may need personnel development, i.e. training of new employees to international markets, and information on new trends. They also may need help with marketing new products to new segments, or when expanding to completely new geographical areas, i.e. from trade in China to trade in India.
- b) Expanding companies – under utilised potentials is the second segment. They are actively looking to expand internationally. One special sub-category in this is 'born globals' which are often ICT related companies with high tech scalable business and young management. They need new customers abroad very fast. They are looking for very narrow niche markets and high volumes.

Young & small companies were not considered separately because survey didn't map age of the companies.

Finpro Client Segments



Survey had to make decisions what companies to take into statistics and what to leave out. A number of companies were left out, although they were exporting, because:

- They were not proper Finnish companies (they were subsidiaries of global parent companies)
- They were not enough Uusimaa based (for example companies that have only headquarters in Uusimaa but all production somewhere else)
- Not exporting enough, or not exporting at all (usually companies that don't have English or Russian web site)

Bio, health, pharma

Number in brackets () shows number of companies found in Uusimaa region. Description lists categories that companies themselves give at their marketing material.

- **Dental** (6) – x-ray, chairs, treatment units
- **Drugs** (3) – general
- **Equipment** (10) - diagnostic eq, imaging equipment, mobile health care units, patient monitoring systems, edema treatment eq, eye diagnostics instruments, brain mapping eq, physioacoustic chair, hospital consoles
- **Services, subcontracting** (8) - Pharma chemicals, technology transfer services for healthcare, pharma packaging, hospital services, occupational health services, food supplement capsule contract dev & mfg, trading hospital accessories
- **Bioactive materials** (6) - Manufacturing industrial enzymes, active

pharmaceutical Ingredients, monoclonal antibodies, manufacturing industrial enzymes, functional food ingredients, vitamin mfg

- **End user related** (9) - medicine wheels, diagnostic test eq, homes & professional use, pincettes, care eq for elderly, electronic health reporting devices, occupational wellbeing services, assisting devices for physically challenged, telecare, reminder sw
- **Lab tools** (7) - immunoassays, pipettes and lab instruments, disposable eq for hospitals, laboratory quality control, lab glass, diagnostics assays for infectious diseases, diagnostics solutions
- **R&D** (4) – various medical research, food protein process R&D

Logistics services

- **Special logistics services** (8) – waste, cars, animals, air freight, thermologistics, oil, retail group internal logistics service, India freight, France freight, Russian freight, railway cargo, port and loading services
- **General logistics** (46) – shipping, road, rail

Consumer goods

- **Foods** (20) - alcoholic drinks, food ingredients, bakery, foods, coffee and spices, frozen foods, confectionery, grain trading and dough and flour, smoked salmon, organic foods, cooking oils, bottled drinking water, energy drinks, water
- **Cosmetics** (4)
- **Clothing** (8) - textiles, furs, bags, sports clothing, children clothing
- **Interior** (18) - furnishing, sauna ovens, kitchens, lamps, furniture protection chemicals, mattresses, design cutlery, shower rails and walls, home safety equipment, docks and jetties
- **Jewellery** (3)
- **Sports goods** (4) - Salomon, Wilson, Precor, Atomic, Suunto, Mavic, fishing lures, compasses and hearth monitors, clay targets for shooting
- **Retail** (17) - PVC mats, sauna accessories, household goods, safety belts and child seats, retail, paints, plastic goods, diapers and hygiene products, Christmas decorations, filing systems, mulch for gardening, car radiator sealant, brushes

Manufacturing

- **ICT related equipment** (34) - antennas, sawmill machinery and measurement ICT, power supplies and batteries, testing eq, RFID, farm electronics, electronic components, cameras, high tech instruments for satellites, headsets for security services, railway electronics, screen for sports events, monitoring, GPS, fire and safety
- **Machinery and machine components** (39) - industry control and measurement (9), paper making related (6), warehousing (3), sawmill (3), meat processing, drilling rigs, machine drives (4), sheet metal fabrication, CNC, melting and heat treatment ovens, hydraulic
- **Cables** (6)
- **Electromechanical goods** (6) – switches, relays

- **Energy production eq** (6)
- **Marine** (10) – boats, pontoons, catering, eco location
- **Logistics & packaging** (8) – trucks, cranes, packaging
- **Small industrial components** (19) – aluminium trays, pipes, tools
- **Rubber & plastics & materials** (12) – mats and parts
- **Small professional goods** (8)
- **Security** (6) – defence and security
- **Other** (15) - sports (3), furnishing,

ICT

- **Business users** (30) - General business sw and ERP, for property, for IT, field operations, hotels, public sector, green certificates depository, used car pricing service, business communication
- **Telecoms software & services** (17) - operator, mobile phones, teleoperator software, tele traffic management, interactive TV, consulting
- **Security** (4) – data security solutions and video surveillance
- **Financial** (6) - smart cards, electronic billing and CRM, capital budgeting and valuation sw, cash forecasting for treasury, reporting sw for banks, taxi payment
- **Mobile & games** (21) - online games and content platforms, mobile enterprise software modules , mobile social media, maps for mobiles, mobile for media companies, business mobile services, tools for development, Bluetooth headsets, service billing
- **Special apps** (13) - gps positioning, embedded solutions, remote monitoring & automation, displays, translation sw, health forecasting and reminder sw, software for ships, development tools and services

Environment

- **Water** (9) - purification chemicals, water purification eq, oil recovery equipment, solar water distiller, waste water aeration, small waste water management systems, waste water solutions for cruise ships, pipe network maintenance equipment
- **Recycling & waste management** (6) - waste storage systems, metal recycling and trading, biogas energy systems, waste presses, marine & building waste water technology, municipal Waste, waste management solutions
- **Services** (18) - consulting enviro building, dredging, environment contractor, environment management for shipping, consulting, LIDAR and geo consulting, weather forecasts, emission monitoring, forest consulting, environment cleanups services, project finance
- **Other** (9) - offshore corrosion control materials, soothblowers, industrial burners, building automation sw, carbon trading, solutions for green buildings, marina developers, central vacuum cleaners, industrial vc clean, environment building
- **Air** (5) - air management in industry, HVAC, flue gas cleaning

Trading

- **Construction goods** (10) - lighting systems, paints, electrical goods, building materials, timber export, Russia, China, Africa
- **Industrial & business goods** (51) – components, raw materials, small equipment, Russia, Turkey
- **Consumer goods** (19) - various, Japan

Services

- **Training** (12) – adults, businesses, environment related
- **Consulting** (45) – management, technology, HR, marketing
- **Financial** (8) – leasing, investments
- **Subcontractor services** (32) – plastic, metal, consumer goods
- **Advertising, media** (22) – design, print, audiovisual production
- **B2B services** (14) – cleaning, outsourcing, sourcing
- **Travel** (7) -
- **Legal & accounting** (7) –

Construction

- **Architects and consulting engineers** (14) – design building and interior, infra
- **Construction materials** (27) - acoustic protection, architectural lighting, architectural grid panels, prefabricated concrete products, glass panels for balconies, copper pipes for construction, aluminium profiles, doors & windows, plaster and rendering mat, sliding doors, roofing materials, furniture for public areas, interior building, ceilings, glass & aluminium facades, industrial door & gate openers, insulation panels, fire safety
- **Log houses & materials** (10) – log and timber houses, wood panels
- **Contracting** (45) – complete building development and parts of construction process

Training and education in Finland for Russia, China and India

Summary

Finnish companies generally go to Russia first, then China and last to India – looking companies as group and not individually. Trade with Russia is largest and smallest with India. Training and education reflects this situation, Russia training being most comprehensive and extensive. Thus, we can use Russia training as example what training could be China and India in the future - assuming that Finnish business with China and India will catch-up, or at least Finns continue to increase their activities there.

In addition, there are many ways how Russia business training could develop.

RIC countries (Russia, India, China) have many similarities in political history, and as result, social structure is changing broadly in the same way in all of those countries. Industry and infrastructure has similar problems and development needs. This means broadly similar opportunities for Finns, and therefore similar needs for training to understand the opportunities.

However, if we look differences from training viewpoint, we see that because Chinese companies are very big clients, China is slightly more suitable for major Finnish companies. Whereas in India, one can find many relatively small companies and thus India is slightly more suitable for Finnish SME companies. Training for China and India should reflect this different target groups in Finland. SME companies have different basic skills and resources, and need different solutions.

India differs from having exports to foreign markets only 15% of GDP but country is still very visible internationally because its investments, and networks of expat Indians. This means for training that networking skills would be relatively much more useful in doing business with India. China and Russia export around 30-35% of their GDP and their exports is mainly goods in old fashioned way.

Generally, training should progress on the following steps:

- First, to explain problems and solutions in any market which is more than ten times bigger than Finnish market.
- Secondly, problems and solutions in RIC markets that geographically huge, and have common historical heritage, social structure, and development needs.
- Thirdly, social, legal, negotiation and management issues in business cultures that are non Germanic-Scandinavian (flexibility in time, money, agreement, and possibly in business moral issues)
- Country specific training, as last step.

Table below shows summary of current training in Finland for RIC countries. tailored courses were considered as management consultancy, and were left out. Only courses that typically are available to anyone and have published content which is developed by the training organisation were included:

ORGANISATION	RUSSIA	CHINA	INDIA
AAC Global (Sanoma Oy)		■	
Aalto University – SME Centre	■		
Adulta	■	■	■
Avaintulos Oy /Uudenmaan ELY		■	■
Ammattikorkeakoulut ja ulkomaiset yhteistyökorkeak.	■	■	■
Chinaworks		■	
Eduhouse Oy	■		
Kainuun ammattiopisto, aikuisopisto	■		
EVIRA – Finnish Food Safety Authority	■		
Finnnode (Gaselli)		■	
Fintra	■	■	■
Haaga – Helia	■		
Lappeenranta University of Technology	■ ■		
Palcon Oy	■		
Pirko – Pirkanmaan Koulutus Konserni Kuntayhtymä		■	
SVKK Suomalais-Venäläinen Kauppakamari	■ ■		
Tampere Summer University /Pirkanmaa ELY	■		
TOP Instituutti Oy - SYKLI	■		
University of Helsinki Palmenia	■	■	
Tampere University	■	■	■
VIA Group	■	■	■

■ Web course, ■ Course, no trip, ■ Short course + trip,
 ■ Long course + trip, ■ Other.

COURSES GIVING BASIC SKILLS	COURSES GIVING INTERNATIONAL SALES AND MARKETING SKILLS	COURSES GIVING MANAGEMENT SKILLS
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Remote study
AAC, Adulta
Russia, China, India
Inexpensive training
via web.

Course
Palmenia, Aalto, LUT
Chinaworks
Few days course
without trip.

Course+trip
SVKK, Tre kesäyliop,
Palcon, Fintra, LUT,
Avaintulos
Few days course and
few days trip.

**Top
management**
VIA, Finnnode
Top level course
and long trip, with
foreign trainers.

Int MBA
LUT
Long trips and studies
jointly with local
business leaders.

Studies for professional qualifications
Fintra, Univ Tre, LUT
Modular courses measured in weeks and
gives units for degree.

Courses for administration Int law, customs, int admin, marketing, export assistant

Available courses should form continuous stepping stones for ever increasing skills. Costs should start from very inexpensive courses for private people who want to prepare themselves for new job in international business, and up to long and high value courses for top management who needs skills to make expensive investment decisions.

Ideally, courses should offer:

- **information and knowledge** from professional trainers that have recently been in the target country
- **skills** should be developed using practice projects such as developing plans, budgets, marketing materials, value propositions, negotiation practice sessions, etc. Skills are different to information and knowledge because skills can be acquired mostly only by practicing.
- **networking** between course participants is important and sometimes, if the topic allows, it is particularly good to have course participants from both Finland and the target country.

Remote studies - web

Remote courses are inexpensive and affordable for private people who want to upgrade their skills or prepare for new international job.

- Adulta arranges courses on Chinese and Indian business customs, negotiations and culture. (Kiinan/Intian tapa- ja business-kulttuurin verkkokurssi (Adulta)
- Adulta arranges several different courses on Russian basic business environment, management, organisational issues, company types, business processes, regulation, risks, human resources, payments and financing. (Venäjä liiketoiminta alueena)
- AAC Global Sanoma Oy arranges China courses with particular focus on preparing participants to practical work duties. The courses deal with business environment, business customs, communication, networking, management and work practices and habits (Toimiva yhteistyö Kiinassa).

Finland based courses to develop international business skills

These are more expensive and longer courses that are mostly suitable for medium level managers in SME companies. Courses begin with basic skills and don't assume any previous experience on international business. Courses don't include study trips to target countries nor does any specific practice work such as preparing business plans or brochures.

- Palmenia, Kouvola arranges China and Russia business skills courses that exceptionally include practical project work. Course has also employment policy target to secure or prepare trainees for employment. (Kiinan tai Venäjän liiketoimintakulttuurin moniosaaja –koulutus)

- Lappeenranta Technical University has general course for management and expert level for learning to manage and lead international business. Course includes also international strategy thinking and financial administration (Kansainvälisen liiketoiminnan johtaminen).
- Lappeenranta Technical University has three phase course for business in Russia that includes also risk management and success factor modules. (Kansainvälinen liiketoiminta Venäjällä –ohjelma)
- Chinaworks, Tampere, practical business in China (Käytännön liiketoiminta Kiinassa)
- PYK/Aalto, Helsinki education for students wanting to specialise to Russia trade. (Venäjän-kaupan erikoistumisopinnot)
- PYK/Aalto, Helsinki. Several courses on Russian trade. BSI - Venäjän-kaupan koulutukset. BSI project intends to prepare companies to do business in St Petersburg, Latvia, and Lithuania.

International business education in Finland

These are educational courses mainly for students. Modules and study weeks can be used for degree. Courses are fairly long and begin with basic skills.

- Many technical universities have cooperation universities in Russia, China and India where students can go to do exchange studies, and complete some business modules. (Seinäjoen ammattikorkeakoulu)
- Eduhouse with TEM cooperation trains assistant for Russian trade. Course has also employment policy targets to secure or prepare trainees for employment. (Davai RekryKoulutus Venäjä-assistentiksi)
- Fintra arranges several courses both general and country specific. Fintra has also some interesting narrow topics like negotiation skills. (Ulkomaankaupan erikoisammattitutkinto UEAT; Ulkomaankaupan ammattitutkinto UAT; You in International Negotiations; Preparing for negotiations; Effective Negotiations with the Chinese)
- Tampere University is specialising into Asia region in its business education. Courses start with basic level and continue to advanced skills in negotiation strategies such as planning, opening, arguing, signalling, proposing, bargaining, packaging, closing and sealing. (Introduction to Asia as a Business Area; Greater China as a Business Area; Asian Business Cultures and Negotiation Styles; Kiinan kaupan peruskurssi; Legal Aspects of Asian Business)
- Lappeenranta University of Technology is mainly specialising in education for Russia trading. (Venäjän talous ja markkinat globaalissa toimintaympäristössä; Liiketoimintariskien hallinta Venäjällä; Kansainvälinen liiketoiminta ja kilpailustrategia; Kansainvälinen markkinointitutkimus ja markkina-analyysi; Kansainvälinen kulttuuriympäristö)
- TOP Instituutti/SYKLI trains experts for international environment projects in EU countries and SW Russia.

International business skills education with extensive visit to target country

These are longer educational courses for students that include long study period in target country.

- Lappeenranta University of Technology arranges MBA studies where part of the study is done in cooperating university St. Petersburg State University Graduate School of Management arranges . Studies include risk management in Russia. (MBA Kansainvälinen liiketoiminta Venäjällä)
- MITIM course at Lappeenranta University of Technology leads to double business studies degree in Finland and Russia. The second degree is from St. Petersburg State University. (Kauppatieteiden maisterin kaksoistutkinto). Shorter educational courses are also available in Business Ethics and Society in Modern Russia in cooperation with State University of St. Petersburg Graduate School of Management.
- Tampereen Kesäyliopisto / ELY Pirkanmaa arranges extensive 9.5 month long summer university course on Russian trade with optional work practice in Russia. Important focus on the course is to develop students' Russian language skills. (Kielipainotteinen Venäjän kaupan koulutusohjelma)

International business skills course including trip

These are more extensive courses suitable for SME companies and include few days introduction trip to the target country.

- Fintra arranges courses for Russia, China and India (Doing Business in Russia; Doing Business in China; Doing Business in India)
- Fintra arranges Russian business leaders to come to Finland for training and contact mission in cooperation with Federal Commission on Training Managers for Enterprises of National Economy of the Russian Federation. Benefit for a Finnish company is that it can get Russian business leader as trainee for few days. (Finrus)
- Palcon/Fintormenta, Espoo has consultative course on Russia trade that is for companies as whole, and not for individual employees. Course work includes students preparing Russian language brochure. (Venäjä osaaminen)
- SVKK – Finnish-Russian Chamber of Commerce arranges many different longer and shorter courses and trips. There are, for example, interesting combination seminar-trip-seminar. The end seminar after a trip is often overlooked by many organisers. (Viennin aloitus Venäjälle, erityisesti Pietariin)
- Avaintulos Oy / ELY Uusimaa arranges Asian business courses where the main focus is in China. However, the course includes also two day trip to India. (Aasialaisen liiketoimintaosaamisen koulutusohjelma).

Courses with long stay in target country

Long stay in the target country was mentioned as one of the best ways to get knowledge about the business environment. Few days trip give some contacts but only longer stay will give useful picture about the business environment.

- Fintra's RUSFIN Partnership Program in Russia improves Finnish business leaders and managers skills with training and 13 day visit to Yekaterinburg for seminar and matchmaking.
- Finnnode arranges Gaselli program, currently only in US, but China programme is also planned to start soon. The course is targeted to Managing Directors of small companies, so called 'Born Global' companies, mainly in the ICT sector. The course includes approximately one month working trip.

Courses for top management

VIA Leadership Academy (Viagroup, Espoo) is a course for top management. Each participant has own business case and develop international strategies. Course includes targets and progress of participant is measured. One of the modules abroad is in mainland China. Teachers are professors from local business schools. Total amount abroad is 1.5 weeks.

Sectoral courses

Manufacturing companies

- Tecvillia Technology Centre and Tekes arranged apparently one-off course for manufacturing companies on how to export, subcontract, or do production cooperation with India (Intia tietoutta valmistaville yrityksille)

Public sector

- HSE Pienyrityskeskus, Mikkeli arranges course for Finnish public sector organisations on how to cooperate with Russian counterparts. (Muuttuva Venäjä hallintokoulutusohjelma)

Travel

- Matkailunedistämiskeskus MEK arranges Laatutonni programme for Finnish travel sector. The programme is for any tourism and is not intended to develop skills particularly in international tourism. Kainuun ammattiopisto, aikuisopisto has previously arranged course on marketing travel services to Russians. The course included workshops and improving language skills.
- PYK/Aalto, Juva arranges course on selling and marketing travel services to Russians. (Matkailutuotteiden markkinointi ja myynti venäläisille asiakkaille)

Education on educational services

- Adulta, JKL has one-off course for those organisations that consider educational business in China. Particularly interesting is that course included learning on how to bargain. (Koulutusliiketoimintaa Kiinassa)

Creative industries

- PYK/Aalto, Mikkeli has several courses targeted to creative sector companies (Kansainvälistymisosaamista luoville aloille; Sopimuskysymykset ja immateriaalioikeudet luovalla alalla; Luovasta ideasta menestystuotteeksi).

Food

- Evira Elintarvikevirasto trains Finnish companies on new regulations for food products exported to Russia. (Venäjän vientivaatimukset elintarvikkeille-seminaari).

E-commerce

- Internet shops are emerging in all RIC countries but there are very few courses available on international skills in e-commerce. (Tehokas internet markkinointi Venäjällä from PYK/Aalto, Pieksämäki; Internet-markkinointi Venäjällä from SVKK)

Service sector

- Only one operator, UNIC - palvelut Oy in Sodankylä, arranges course for service sector. Course also improves participants' language skills. (Asiakaspalvelun ja venäjän kielen koulutus)

Energy

- Energy sector has only one activity that can be considered as giving some kind of educational or training for Finns.
- East Uusimaa region has had several years long project to develop Russia skills in the region. The project has been focusing strongly on developing cooperation in educational sector. One initiative of this project was recently established professorship of Russian energy policy in the Helsinki University.

Student exchange

ChiNet is a network formed by institutes and organisations for professional education in Finland (Turun AI, Pirkanmaan koulutuskonserni, Tampereen AO, Suomen Ympäristöopisto, Hyria, Varia, Suomen Liikemiesten kauppaopisto, HBC). ChiNet arranges professional China training for Finnish people studying to become international technicians.

ChiNet also arranges exchange of teachers. Chinese teachers of technical studies and skills can join courses arranged in Turku Machine Technology Centre (Turun Koneteknologiakeskus) for Finnish teachers.

FINEDU trust in the construction sector has training courses for Russian construction workers in St Petersburg to improve skills useful for Finnish construction companies. There are no plans for Russian students to come to Finland at this point.

Many technical universities and educational institutes have extensive collaboration networks in RIC countries. Students can use those networks also to get trainee positions in foreign companies. Such training is part of the professional studies preparing for degree in Finland.

Courses for support functions

- Managing Export Practices (Fintra)
- Effective Export Assistant (Fintra)

- Vientiklinikka assistenteille – jatkokoulutus vientiassistentteille (Fintra)
- Export in Practice – syventävä valmennus vientiassistentteille (Fintra)
- International Sales and Marketing Skills and Management (Fintra)
- Venäjän kielen ja tapakulttuurin aakkoset 24.3.-27.4.2010, (PYK/Aalto, Mikkeli)
- Venäjän kielen intensiivikurssi Pietarissa (PYK/Aalto, Helsinki)
- Venäjän talous ja markkinat globaalissa toimintaympäristössä (Lappeenranta University of Technology)
- Business Ethics and Society in Modern Russia (Lappeenranta University of Technology)
- Liiketoimintariskien hallinta Venäjällä (Lappeenranta University of Technology)
- Taloushallinnon Venäjä (SVKK)
- Juridiikan Venäjä (SVKK)
- SVKK arranges many different seminars in Russia for Finnish companies operating there. The topics range from immaterial property rights, business analysis, investment projects, practical issues like export and import customs.

Fact finding trips

There are many different business delegations and trips. Here are few examples:

- Marine sector trip to China - Venealan Fact Finding matka Kiinaan (Viexpo)
- Networking trip to St Petersburg - Yhteistyö- ja verkostoitumismatka Pietariin (PYK/Aalto, Helsinki)
- Matchmaking trips to second tier Russian cities - Vienninedistämismatkat kauempiin kohteisiin kuten Novosibirsk, Rostov-na-Donu (SVKK)
- Matchmaking and contacting trips to St Petersburg - Tutustumis- ja kontaktimatka Pietariin (SVKK)
- Fact finding trips to more inexpensive but convenient business locations near Moscow and St Petersburg (SVKK)

New training development

Young Business Academy (YBA) www.yba.fi is new business development mode that prepares participants to entrepreneurship. Club members are offered business skills training, club events and the possibility to form networks with potential business partners. Joining and membership are free of charge.

HSE Pienyrityskeskus PYK has studied interest among students in St Petersburg for entrepreneurship. Over 80% of Russian students are interested to start business but feel that there are not enough courses and training available. PYK has arranged summer courses in Helsinki for Russian students in cooperation with higher education organisations from St Petersburg. More extensive courses are being planned. The cooperating partner in St Petersburg is the St Petersburg State

University of Economics and Finance (Finec). The project offers students an opportunity to get business contacts already before finishing studies.

Some Finnish training organisations have their own offices in Russia. These are Fintra Russia that has operated in St Petersburg for 15 years, HSE PYK, SVKK and AAC Global.

St Petersburg universities arrange international MBA courses in cooperation with other universities (HEC Paris and GSOM St. Petersburg Dual Degree Executive MBA). These are marketed also for Finnish students. For example, Dual Degree Executive MBA gives dual certification and includes courses both in Russia and Paris.)

FINEDU is a trust established by a number of Finnish construction companies with purposes of training Russian construction workers to practices and standards used by Finnish companies in Russia. First target is to educate skilled workforce for Finnish companies but later this programme may become way to export educational services from Finland to Russia.

Finnish and Russian universities are jointly developing Finnish-Russian Innovation University (FRIU). Leaders of the project are Lappeenranta University of Technology (LUT) and five universities in St. Petersburg. The purpose is to promote collaboration and academic research and education between Finnish and Russian universities in the field of technology, business studies and design.

The European Commission is frequently funding business training activities targeted to help development of Asia related business skills. Current program is "Understanding China" which with 500€ registration fee gives four week intensive study programme, including preparation of business plan for China.

The course has the following modules::

1. One week at University of Antwerp Management School in Antwerp, Belgium
2. One week at China Executive Leadership Academy Pudong - CELAP Shanghai
3. One week at Beijing.
4. One week at Antwerpen
5. Graduation ceremony at Brussels.

YHTEENVETO

Kiina, Intia, Venäjä uusien mahdollisuuksien peilaus Uudenmaan tarjontaan

Selvityksen tavoitteet olivat seuraavat:

- Selvittää kohdealueiden kasvuun ja tarpeisiin liittyviä tulevaisuuden tekijöitä,
- tunnistaa tekijöitä jotka voivat osoittautua merkittäväksi Uudenmaan kansainvälistymispotentiaaliksi ja
- mihin Uudenmaan yrityksiä tulisi valmentaa.

Kohdealueiden Foresight selvityksessä luodataan tulevaisuuden tekijöitä. Uudenmaan osaamiskartoituksessa selvitettiin mitä vientitarjontaa Uudellamaalla on. Tulevaisuuden tekijöitä ja Uudenmaan mahdollisuuksia vastata niihin tarkastellaan tässä jaksossa olevissa matriiseissa. Valmennustarpeita varten selvitettiin ensin nykyinen koulutustarjonta ja sen aukot.

Kiina

Kiinan tulevaisuuden merkittävimmät tekijät ovat voimakkaasti kaupungistuva yhteiskunta ja kasvava keskiluokka sekä toimenpiteet ympäristö- ja energiaongelmien ratkaisemiseksi. Terveystarpeiden palvelut ovat heikkoja ja diabetes ja muut kansantaudit ovat nousemassa joidenkin kommenttien mukaan jopa epidemian tapaisiksi ongelmiksi. Korkean teknologian aluetta Kiinassa pyritään voimakkaasti nostamaan. Kiina pysyy ainakin nykyisillä valuuttakursseilla edullisena tuotantopaikkana mutta samasta syystä ulkomaiset tuotteet ovat hyvin kalliita ellei niitä valmisteta Kiinassa. Tuontitullit myös rajoittavat ulkomaisten tuotteiden markkinoita.

Kiinan talous on murroksessa. BKT kasvaa yli kahdeksan prosentin vuosivauhtia siitä huolimatta, että vienti ja tuonti romahtivat viidenneksen vuoden 2009 alkupuoliskolla. Paradoksin selittää Kiinan sisämarkkinan voimakas kasvu. Kiinassa toimivien ja sinne etabloitumassa olevien yritysten on tarkistettava strategiaansa, kun alihankkijasta onkin nopeasti tulossa päämies ja maailman suurin markkina.

Megatrendinä Kiinassa on nopeana jatkuva kaupungistuminen. Investointikysyntä pysynee jatkossakin vahvana, kun tarpeet infrastruktuurin kehittämiseksi ja asuinrakentamiselle ovat suuria. Kotitalouksien ostovoiman odotetaan kohenevan edelleen talouskasvun myötä. Kiina pyrkii kehittämään aktiivisesti sisämaata ja pohjoisia alueita, jotka ovat aiemmin kasvaneet rannikkoalueita hitaammin.

Yleisimmät kansainväliset tuotemerkit ja valmistajat ovat jo Kiinan markkinoilla ja länsimaisia tuotteita on laajasti saatavana kaupoissa. Kilpailu on siksi kovaa ja markkinoille tulo samalla tavalla haasteellista kuin mihin tahansa länsimaiseenkin

maahan. Lisävarinsä Kiinan markkinoille tuovat liike-elämään vielä vanhasta yhteiskuntajärjestelmästä periytyvät tekijät. Oikeuslaitos ei ole poliittisesti riippumaton, lainsäädäntö antaa runsaasti varaa tulkinnoille, julkisen ja yksityisen sektorin välillä ei ole aina selkeää rajaa, kotimaisia yrityksiä suositaan monin paikoin - tosin kotimaisia yrityksiä suositaan kaikissa maissa. Alueelliset erot on huomioitava. Suuressa maassa etäisyys muodostuu kompastuskysymykseksi jos sijoittautumispaikka on väärä. Paikalliset olosuhteet ovat myös merkittävä tekijä. Kiina ulottuu suomalaistyyppisestä kylästä ilmastosta Pohjois-Kiinassa trooppiseen ilmastoon, ja sisämaan kehittymättömistä maaseuduista itärannikon korkean teknologian keskuksiin.

Kehityssuunnat ja niiden antamat mahdollisuudet Uudellemaalle:

- **Kiina panostaa ympäristöongelmien ratkaisemiseen** – teollisuuden sivuvirtojen ja jätevirtojen hyötykäyttö, teollisuuden jäteongelmien ratkaisut, tuotantotehokkuus, yhdyskuntajätteen käsittelylaitteistot.
- **Keski-Kiinan kehittäminen seuraavassa 5-vuotisojelmassa** – suurien maakuntien isoissa kehitysohjelmassa tarvitaan kaikkea. Uudenmaan alueen tarjontaan verraten erityisiä mahdollisuuksia voisi olla erilaiseen kaukokartoitukseen ja maanmittaukseen liittyvillä palveluilla, laitteilla ja konsultoinnilla joita pitää tehdä maakuntien mittakaavoissa ennen investointikohteiden sijainnin päättämistä..
- **Kaupungistuva yhteiskunta ja siitä seuraava varakas kuluttajasektori** – nuoret varakkaat juuri maalta muuttaneet kaupunkilaiset haluavat kaikkia moderneja kuluttajatuotteita, ruokatarvikkeita, kosmetiikkaa ja koruja. Orgaaniset ja funktionaaliset ruokatarvikkeet ovat tulossa muotiin. Kansantaudit ja erityisesti diabetes ovat tulossa ongelmaksi joka myös lisää kiinnostusta terveysvaikutteisiin ruokiin.
- **Energiatehokkuuden lisääminen** – energiatehokkuutta lisätään sekä rakennuksissa että teollisuudessa. Vihreän rakentamisen ratkaisuja kaivataan sekä myös teollisuuden energiatehokkaita koneita ja laitteita.
- **Liikennratkaisuja kehitetään voimakkaasti** – erityinen painopiste on rautateissä. Uudellemaalle on hyvä mahdollisuuksia myös eräillä alueilla kasvavassa huviveneilyssä ja siihen liittyvissä marina ratkaisuihin. Laivanrakennuksessa saattaa myös olla mahdollisuuksia muutaman vuoden kuluttua Uudenmaan meriteknologian alihankkijoille.
- **Kiina kasvattaa korkean teknologian keskuksiaan** – yhteistyömahdollisuuksia tiede- ja teknologiapuistojen kanssa.
- **Mobiili- ja internet pohjaiset kuluttajien palvelut, virtuaaliverkostot ja liike-elämän palvelut lisääntyvät** – erityisesti online ostosten tekeminen lisääntyy voimakkaasti.
- **Terveystenhoito sektori kehittyy** – Uudellamaalla on suhteellisen runsaasti erityisesti hammashoito teknologiaan keskittyneitä yrityksiä. Kansantaudit ja

erityisesti diabetes ovat tulossa ongelmaksi ja suomalaisilla on hyviä kokemuksia ja osaamista kansantautien hoitamisessa.

- **Kaupungit kehittyvät** – suomalaisella arkkitehtuurilla, puuhun perustuvilla rakennusmateriaaleilla ja osaamisella olisi hyvä mahdollisuuksia julkisten rakennusten peruskorjauksessa tai uudelleen rakentamisessa, erityisesti koska uusien rakennusten pitäisi olla määräysten mukaan energiatehokkaita.
- **Aikuiskoulutus** – koulutuspalveluiden viennille on mahdollisuuksia sekä aikuiskoulutuksen osaamisen alueella että ammatillisessa jatkokoulutuksessa, ensimmäisessä vaiheessa kouluttaessa kiinalaisia länsimaisiin työn laadun vaatimuksiin.
- **Rahoitussektori kasvaa Etelä-Kiinassa, länsimaiset pankit, vakuutuslaitokset ja rahastot siirtävät toimintojaan erityisesti Shanghaihin** – Uudellamaalla on useita pankki-, ja rahoitussektorin tietotekniikan osaajia, mm tietoturvan sähköisten maksujen ja laskujen sekä pankkiohjelmistojen alueella.
- **Kiina tarvitsee raaka-aineita** – Uudenmaan välityskaupan sektori on suuri ja toistaiseksi keskittynyt Venäjän kauppaan. Puutavaran välityskauppaa tehdään jo Kiinaan mutta mahdollisuuksia olisi huomattavasti laajempaan toimintaa koska välityskauppa ei ole etäisyyksistä ja sijainnista riippuvaa toimintaa.

Nykyisen kurssitarjonnan puutteet

Nykyistä kurssitarjontaa katsottaessa Uudellamaalla ei ole sellaisia lyhyitä yleisiä Kiinan liiketoimintakulttuurin osaajakoulutusta jota esimerkiksi Palmenia järjestää Kouvolassa. Kurssien muoto on joukko kurssipäiviä samassa luokassa opettajan kanssa mutta ilman tutustumismatkaa. Adulta ja AAC tosin järjestävät etäkursseja jotka nekin täyttävät tietyn tarpeen mutta etäkursseilla interaktiivisuus opettajan ja muiden oppilaiden kanssa jää vähäisemmäksi. Opettajan olisi oltava henkilö joka on itse toiminut liike-elämässä sekä Suomessa että Kiinassa ja osaa peilata eroavaisuuksia. Yleisenä toiveena on että kurssit ovat konkreettisia ja pelaavat yhteneväisyyksiä kuin että pelotellaan erilaisuuksilla.

Uudenmaan alueella ei myös ole opiskelijoille tarkoitettua kurssimuotoista Kiina ohjelmaa kuten Tampereella jonne Kiinan kauppatieteellinen opiskelu näyttää olevan suuntautunut. Ei kuitenkaan aina ole järkevää järjestää kaikenlaisia kursseja joka paikkakunnalla varsinkaan tutkintoon tarkoitettussa opiskelussa. Uudellamaalla voisi kuitenkin olla iltaopiskelijoille tarkoitettu modulaarinen opintoviikoista muodostuva kurssisarja Kiinan markkinoista. Kiina kursseja joihin kuuluu lyhyt kontaktimatka Kiinaan on Uudellamaallakin olemassa mutta ei toisin läheskään siinä laajuudessa kuin Venäjälle. Varsinaista aukkoa tai puutetta ei tässä kohdassa havaittu. Voidaan myös olettaa että kurssitarjonta tässä luokassa kasvaa tulevaisuudessa kuten se on kasvanut Venäjän suunnalle.

Tulevaisuuden yleiskurssien kehitystarpeita

Tulevaisuuden kursseista Kiina-MBA olisi todennäköisesti tarpeellinen teoreettisemmalla suunnalla sekä enemmän käytännön liiketoimintaan liittyvä Kiina kurssi johon sisältyy kuukauden työskentelyä Kiinassa incubator keskuksessa PK- yritysten toimitusjohtajille. oikein järjestettynä toimitusjohtaja pystyy nykyisten internet puheluiden ja sähköpostien kautta melko hyvin hoitamaan myös päivittäistä työtään Suomessa.

Riskien hallinta Kiina kaupassa olisi tarpeellinen uutena kurssina koska yrityksen tuntuvat pelkäävän monenlaisia erilaisia liiketoiminnan riskejä. Lappeenrannassa järjestetään vastaavaa kurssia yhtenä MBA moduulina. Kurssi käsittäisi yrityksen perustamiseen ja liiketoiminnan harjoittamiseen liittyviä asioita mukaan lukien lisenssit, luvat ja tavat suojautua IPR ongelmista. Tätä kurssia pitää edeltää markkinoiden tutustuminen ja ideaalisesti edellä mainittu toimitusjohtajan oleskelu Kiinassa.

Tulevaisuuden mahdollisuuksiin liittyviä kurssitarpeita

Sektorikohtaisista kursseista valitsimme kaikkein tärkeimmiksi tulevaisuuden uusien tarpeiden mukaisesti:

- meriteknologiaan liittyvä alue, sekä laivanvarustus että vapaa-ajan veneily
- arkkitehtuuriin liittyvä julkisten rakennusten suunnittelu ja rakentaminen käyttäen suomalaista designiä sekä rakennusteknologiaan liittyvät rakennusautomaatio ja puumateriaalien käyttö
- markkinoille tulo top-end kuluttajatuotteissa
- internet kauppaan liittyvät asiat sekä teknologian että internet kaupankäynnin kannalta
- terveydenhuollon sektori
- ympäristö-sektori haasteet
- koulutusmarkkina Kiinassa, mahdollisuudet sekä ammattikoulutukseen täällä että kiinalaisten opiskelijoiden kouluttamiseen Suomessa, mahdollisesti myös business tason vaihto opiskelu jossa vaihto tapahtuu suomalaisen ja kiinalaisen yrityksen välillä
- välityskauppa

Intia

Intiassa on myös kasvava keskiluokka joka arvostaa länsimaisia tuotteita. Tuntitullit ovat nykyisellään pitäneet tuonnin rajallisena. EU:n ja Intian välinen vapaakauppasopimus joka arvelujen mukaan allekirjoitetaan 2010 saattaa muuttaa tilannetta. Intian merkittävin ongelma on teollisuuden ja taajamien jätekuormitus sekä veteen että ilmaan.

Maaseudun liikenne, sähköistys ja terveydenhuolto on myös voimakkaan kehityksen alla. Terveydenhuollon sektorilla Intiassa on kasvava määrä yksityissairaaloita jotka myös hoitavat ulkomailta tulevia terveysturisteja. 3G ja

internet kaupankäyntiin liittyväohjelmisto- ja palvelusektori on kasvamassa voimakkaasti.

Kehityssuunnat ja niiden antamat mahdollisuudet Uudellemaalle:

- **Kehittyvä terveydenhuoltosektori** – kansanterveyteen liittyvät tuotteet, palvelut ja konsultointi, telemedicine, mutta hintaherkkä alue. Korkea verenpaine ja liikalihavuus ovat kansanterveyden ongelmia joita Suomessa on onnistuneesti korjattu. Vanhusten ja vammaisten kotihoito ja niihin liittyvät laitteet.
- **Terveysturismi** kasvaa voimakkaasti eikä ole hintaherkkää. Kaikkia moderneja sairaala ja diagnostiikka tuotteita tarvitaan
- **Diagnostiikka** alueella on noin 50 Intialaista yritystä jotka voisivat olla suomalaisten kumppaneita.
- **Ruokaketju maataloudesta kuluttajalle** – kylmäkuljetus, uusi pakkausteknologia,
- **3G ja ICT** – digitaaliset tuotteet ja palvelut sosiaalisille verkoille, internet kaupankäynti ja siihen liittyvät maksu- ja toimituspalvelut kasvavat myöhemmässä vaiheessa voimakkaasti. Yritysten sähköinen maksuliikenne, laskuliikenne ja pankkipalvelut kasvun alussa. Video-on-demand.
- **Voimakkaasti kaupungistuva yhteiskunta ja kasvava keskiluokka** – haluavat länsimaisia tuotteita ja on varaa maksaa.
- **Ympäristöongelmien ratkaisuja tehdään tulevaisuudessa** – jäteveden käsittely teollisuudessa ja yhdyskunnissa. Erityisesti ilman laadun valvontaverkostoon tarvittavia laitteita ei ole saatavana.
- **Vihreä rakentaminen** – Intia pyrkii aloittamaan vihreän rakentamisen. Rakennusten ja rakennettavan (rakennetun) alueen auditoinnit ovat kasvava potentiaali.
- **Raaka-aineiden ja materiaalien välityskauppa** – Intian teollisuus tarvitsee lisääntyvissä määrin raaka-aineita ulkomailta. Uudellamaalla on erityisosaamista välityskaupasta ja välityskauppa ei ole yrityksen sijaintipaikasta riippuvaa vaan edellyttää vain kontakteja ja osaamista.
- **Intian sijoitukset ulkomaille kasvavat edelleen** – verkottuminen intialaisten kanssa avaa uusia mahdollisuuksia.
- **Aikuiskoulutus** – kasvava alue johon suomalaisilla on jo mielenkiintoa.
- **Energiatehokkuus** – teollisuudessa.
- **Sähköverkon kehittäminen** – Intian eri alueiden melko erillisten sähköverkkojen liittäminen toisiinsa, sähkön mittaus etämittareilla sekä energian kaupankäynnin sovellukset.

Nykyisen kurssitarjonnan puutteet

Intiaan liittyvä kurssitarjonta on kaikkein vähäisintä RIC maista vaikka kasvava määrä suomalaisia liikeleagaatioita matkustaa Intiaan. Jos nykyisten kurssien aihealueet luetteloi yhteen niin aika kattava lista mutta koska esimerkiksi Venäjän ja jopa Kiinan kurssitarjonta on huomattavasti laajempi on syytä olettaa että Intian kurssitarjontaa on tulevana vuosina lisättävä melkoisesti.

Ottaen huomioon että Intiaan matkustaa paljon PK yrityksiä olisi hyvä että Intia kurssitarjontaa lisättäisiin sellaisilla alueilla joissa PK yritykset ovat muutoinkin heikkoja. Näitä ovat Intian liiketoimintasuunnitelmat, arvolupausten kehittäminen asiakkaille ja toimintastrategiat.

Tulevaisuuden yleiskurssien kehitystarpeita

Nykyinen Intia kurssitarjonta on kohdistettu pääosin myyntipääällikkö/vientipääällikkö tasolle joten PK yritysten toimitusjohtajille tarkoitettu kurssi olisi hyvä johon sisältyisi n viikon matka. Kurssiin nähtiin haastatteluissa oleellisena sisällyttää oikean toimintastrategian ja tavan valinta Intiassa, partnereiden valinta, rekrytointi ja HR asiat.

Tulevaisuuden mahdollisuuksiin liittyviä kurssitarpeita

Sektorikohtaisista kursseista valitsimme kaikkein tärkeimmiksi tulevaisuuden uusien tarpeiden mukaisesti:

- Ympäristötekniikan mahdollisuudet Intiassa
- Terveystekniikka, kansantauteihin liittyvät asiat, diagnostiikkasektori
- internet kauppaan liittyvät asiat sekä tekniikan että internet kaupankäynnin kannalta
- 3G
- Ruokaketju tilalta kauppaan
- Infra projekteihin pääsy
- Green Building

Venäjä

Venäjän suurimmat kehityshaasteet ovat teollisuuden kehittäminen sellaiselle tasolle ettei tuontia tarvittaisi nykyistä määrää. Tähän liittyy myös korkean tekniikan kehittäminen yrityspuistoissa. Energian tuotantoon ja teiden rautateiden ja lentokenttien laajamittainen kunnostaminen on myös lähitulevaisuuden ohjelmassa samoin kuin vesi- ja jätevesilaitosten sekä verkoston uudistaminen. Vanhoja kunnostettavia taloja löytyy myös runsaasti.

Kuluttajasektorilla jatkuu kysyntä korkealuokkaisista länsimaisista tuotteista. Erityisesti tuli esille lapsille tarkoitettut tuotteet, design tuotteet ja tulevaisuudessa myös parempilaatuinen ruoka.

Palveluiden ulkoistus Venäläisistä yrityksistä palveluiden tarjoajille lisääntyy voimakkaasti koska yrityksillä on nyt kustannuspaineita. Myös työvoiman saatavuus on Venäjällä rajoitettu, ainakin ammattitaitoisessa päässä.

Kotimaisen teollisuuden kehittämiseen kiinnitetään huomiota ja tähän liittyy myös tuotantolaitosten energiatehokkuuden lisääminen sekä uusiutuvan energian tuotannon lisääminen keskimääräiselle länsimaiselle 20% tasolle. Pääpaino energian tuotannon lisäyksessä on kuitenkin uusien ydinvoimalaitosten rakentamisessa.

Kehityssuunnat ja niiden antamat mahdollisuudet Uudellemaalle:

- **Öljy- ja kaasukenttien kehittäminen ja muut isot projektit kuten Sotchi** – maanrakennuskoneiden kauppa, välityskauppa, erikoismateriaalit, pinnoitealihankinnat ja koneet.
- **Vesi- ja jätevesihuollon kehittäminen** – laitosten uudistaminen sekä verkoston uudistaminen, IFC projektit
- **Terveystenhoito** – laitteet ja diagnostiikka, hammaslääkäriasemien laitteet, yksityiset länsimaisten omistamat tai yhteisyritysten kautta omistamat klinikat ja sairaalat, fysioterapia laitteet
- **Ulkoistaminen** – B2B palveluiden ulkoistaminen lisääntyy kustannuspaineiden takia, siivous, pesulat, tietoliikenne
- **ICT kehittyä** – erityisesti terveydenhuollon, öljy- ja kaasusektorin ja rahoituspalveluiden alueella
- **Mobiili- ja online palvelut ja kaupankäynti** – 4G verkko alkaa kasvamaan suurimpien kaupunkien alueella jopa ennemmin kuin Suomessa. Online kaupankäynti lisääntyy ja muutamien vuosien kuluessa voidaan olettaa kasvavan huomattavasti kunhan luottokorttien määrä lisääntyy ja kuluttajat oppivat luottamaan palveluiden tarjoajiin.
- **Teollisuuden energiatehokkuus** – kustannuspaineet ja teollisuuden uudistaminen antaa mahdollisuuksia energiatehokkaiden koneiden ja laitteiden myyjille, taajuusmuuttaja käytöt.
- **Teknologiapuistot** – tutkimus- ja tuotekehitys puolella puistojen määrä lisääntyy ja alueelle aikovat myös suomalaiset puistojen operaattorit.
- **Aikuiskoulutuspalvelut** – näiden palveluiden tarjonta alkaa yleensä Venäjällä toimivien suomalaisten yritysten tarpeista kouluttaa henkilökuntaansa tai alihankkijoiden henkilökuntaa mutta todennäköisesti laajenee myös yleisempään koulutukseen sillä suomalaisilla on erityisosaamista aikuiskoulutuksen alueella.

Nykyisen kurssitarjonnan puutteet

Venäjän liiketoiminnan kurssitarjonta on laajaa myös Uudenmaan alueella eikä erityisiä peruskurssien puutteita ole havaittavissa. Matkailupalveluiden puolellakaan ei mainittu mitään kipeää kurssitarvetta.

Tulevaisuuden yleiskurssien kehitystarpeita

Tulevaisuudessa olisi Uudenmaan kannalta hyödyllistä yrittää kehittää kursseja joissa nuoria aloittelevia yrittäjiä Venäjältä tuotaisiin yhteen samalle kurssille suomalaisten vastaavien kanssa, ehkä sektorikohtaisesti ti MBA tyyppisesti. On oletettavaa että näillä kursseilla syntyisi uusia Venäjän kaupan yrityksiä jotka saattaisivat sijoittua myös Uudellemaalle.

Yrityksen johtotason ja hallituksen henkilöille on vähemmän sopivia kursseja. Hallitustyöskentely Venäläisen ja Suomalaisen yrityksen ja niiden toimitusjohtajien välillä mainittiin erityisen hankalana asiana jota kursseilla voisi korjata. Samoin niiden yritysten suhteen joilla ei vielä ole Venäjän kauppaa olisi hyvä saada kursseja joissa toimistojohtajaa ja hallituksen jäseniä opetetaan havaitsemaan ja analysoimaan uusia liiketoimintamahdollisuuksia.

Tulevaisuudessa kaivataan erityisesti kursseja joihin liittyy pidempiaikainen oleskelu ja yritystoiminnan aloittamisen harjoittelu Venäjällä (liiketoimintasuunnitelma, arvolupaus asiakkaalle, esite Venäjäksi).

Tulevaisuuden mahdollisuuksiin liittyviä kurssitarpeita

Sektorikohtaisista kursseista valitsimme kaikkein tärkeimmiksi tulevaisuuden uusien tarpeiden mukaisesti:

- 4G tarjoamat mahdollisuudet
- uusien yritysmuotojen kuten goscorpotatioiden toiminta ja ymmärtäminen
- päätöksentekoprosessi, erityisesti miten se toimii isoissa projekteissa, keskikokoisissa ja pienissä alahankkeissa
- ruokaketjun kehittäminen, orgaaninen ruoka, laatu
- B2B ulkoistettujen palveluiden kysyntä ja tarjonta
- Venäläisen henkilökunnan asiakaspalvelu ja laatu.

Yleiskurssien tarve

Monelta suunnalta tuli havaittua että yritysten ongelma ei ole tavallaan siinä että Kiina, Intia tai Venäjä olisivat erilaisia niin että niitä varten pitäisi saada lisäosaamista vaan ongelma on usein siinä että Suomi on erilainen kuin muut maat, mukana lukien Euroopan markkina-alueet. Usein suomalainen yritys olettaa että yritysasiat ovat ulkomailla samalla tavalla kuin Suomessa.

Kansainvälisen liiketoimintakulttuurin yleisosaaminen - kurssi

Hyvin monella alueella auttaisi liiketoiminnassa kurssi joka opettaisi kansainvälistä liiketoimintaosaamista niin että painotettaisiin sitä millä tavalla Suomi on erilainen muista maista mukaan lukien länsimaista. Esimerkkinä ja selityksenä eroavaisuuksista jonka tyyppisissä ongelmissa tarvittaisiin koulutusta:

- Valitetaan että työntekijät eivät ole omatoimisia vaan heitä on neuvottava ja koulutettava hyvin paljon. Myös että henkilöt ovat kapea-alaisia. Suomessa jokainen tekee kaikkea mitä osaa. Luullaan että tämä pätee muuallakin mutta sitä vastoin ulkomailla, mm myös Britanniassa on epäsuotavaa että työntekijä menee tekemään toisen 'tontille' kuuluvia asioita vaikka osaisikin.
- Valitetaan että tuomioistuin määrää maksettavaksi korvauksia suoranaisten vahinkojen lisäksi myös epäsuorista vahingoista, menetetyistä liiketoiminnasta sekä myös rangaistusluontoisesti ilman että vahingon kärsijä on todistanut sen suuruista vahinkoa edes tapahtuneen. Tämä on tyyppillinen anglosaksinen lainkäytäntö joka pätee Intiassa, Britanniassa, USA:ssa ja useissa muissa saman ryhmän maissa ja olisi hyvä ymmärtää että kyse on siitä että Suomen käytäntö johon olemme tottuneet on erilainen kuin muualla.
- Valitetaan että työntekijät pysyvät hyvin lyhyen aikaa eli vaihtuvuus on suuri. Tämä johtuu vain siitä että Suomen työmarkkinat ovat pienet ja jos työntekijä haluaa uuteen työpaikkaan niin on valmistauduttava muuttamaan toiseen kaupunkiin. Isoilla markkinoilla Euroopassa, USA:ssa, Intiassa ja Kiinassa uusi työpaikka löytyy monesti muutaman korttelin päästä joten kynnys vaihtamiseen on pieni. Tätä on vain työmarkkinoiden ominaisuus jossa Suomi on erilainen kuin muut maat ja asia on vain ymmärrettävä ja siihen varauduttava ja kehitettävä toimenpiteet joilla henkilöt sidotaan.

Neuvotteluihin valmistautuminen - kurssi

Suomalaiset tarvitsisivat neuvottelutekniikan kursseja joissa yhtenä osana olisi käytännön neuvotteluharjoituksia ja hintaneuvotteluja mieluummin ulkomaisen harjoitteluvastustajan kanssa. Suomalaiset ovat tottuneet kiinteään hintaan josta ei tingitä mutta monissa maissa hinta ja aika ovat venyviä käsitteitä. Yleinen taktikointi neuvotteluissa on usein samanlaista kaikissa maissa ja tutkittu akateemisestikin peliteorioissa. Yksityiskohdat ja hintojen ja sopimusten venyvyys ovat kulttuurikohtaisia ja olisi opiskeltava maakohtaisesti erikseen Kiinaa, Intiaa ja Venäjää varten. Harjoittelutinkimisissäkin pitäisi käytännössä olla joku kannuste joten kullakin neuvottelijalla voisi ehkä olla pino pelimarkkoja jotta tilanteesta tulee mielenkiintoinen ja realistinen.

IPR, kopiointi ja harmaatuonti - kurssi

Nämä kaikki ovat alueita joissa suomalaisilla ei kotimarkkinoilla ole mitään kokemusta ja kurssitarve on ilmeinen. Lakiteknisten asioiden lisäksi kokeneilla suomalaisilla yrityksillä olisi varmasti kerrottavanaan monia markkinakeinoja joilla tuotteita voidaan suojata.

Tuotekehitysideoiden tunnistaminen - kurssi

Kiinan, Intian ja Venäjän markkinat ovat toimintaympäristöltään niin erilaisia etteivät suomalaiset yritykset välttämättä pysty havaitsemaan muutoksista johtuvia uusia liiketoimintamahdollisuuksia. Tähänkin voidaan kouluttaa todennäköisesti tehokkaimmin workshoppien puitteissa.

Samalla voitaisiin koulutusohjelmaan sisällyttää myös tuotekehitysprojektin johtamiseen liittyviä asioita ja erityisesti suomalais-ulkomaalaiseen (Kiina, Intia, Venäjä) tuotekehitysprojektiin liittyviä erityisasiota. Tuotekehitysprojektin laadukas ja määräaikainen johtaminen ei yleensäkään ole kovin vahvaa SME yrityksissä.

Venäjä, Kiina ja Intia vertailua

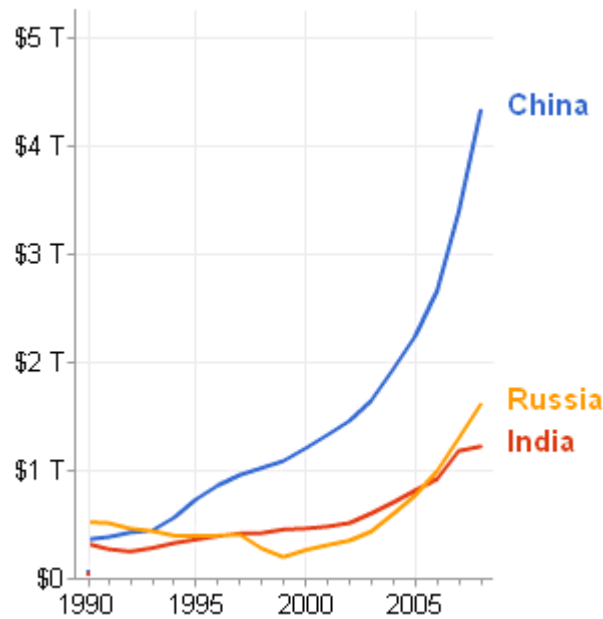
Talouselämää tarkasteltaessa Kiina ja Intia kasvavat jatkuvasti lähes kymmenen prosentin vauhtia kun taas Venäjä on lamassa ainakin tilastojen valossa. Venäjän lama ei kuitenkaan näy suurien kaupunkien kuten Pietarin ja Moskovon talouselämässä kovin paljoa. Venäjän ennustetaan alkavan nousta erityisesti nousevan öljyn ja kaasun hinnan takia. Kiinassa taas pelätään jo kuplan syntymistä. Kasvu Intiassa näyttää kaikkein hallituimmalta

Vaikka Intia ja Kiina kasvavat samaa vauhtia niin kasvun syyt ovat päinvastaiset. Intian kasvun veturina on kehittyvä kotimaan markkina. Intian vienti on vain 15% kansantuotteesta. Kiinan veturina taas on länteen suuntautunut vientiteollisuus.

Intian kansainvälistyminen näkyy nyt ja tulevaisuudessa intialaisten voimakkaasti kasvavana henkilöiden verkottumisena muissa maissa eikä niinkään tavanomaisen vientitoiminnan kasvuna. Suomessakin Intiaan liittyvä toiminta kasvaa yhteistyön suuntaan ja olisi huomioitava koulutuksessa henkilöverkottumisen koulutuksena. Kansainvälistyminen ei aina tarvitse merkitä vientiä.

Molemmissa maissa on myös voimakkaasti kaupungistuva yhteiskunta joka tarvitsee ja haluaa parempia palveluita ja tuotteita ja arvostaa länsimaista tarjontaa.

KANSANTUOTE GDP



Data source: World Bank, World Development Indicators - Last updated March 2, 2010, google.com/publicdata

Kiinan vientikauppa ulkomaille pysyy lähitulevaisuudessa fyysisten tuotteiden kauppana mutta kasvaa korkeamman teknologian suuntaan. Suomelle uhka on että Kiina suuntautuu voimakkaasti myös naapurimaiden eli Intian ja Venäjän suuntaan, ja Venäjällä kiinalaiset suuntaavat tietysti myös merkittäviin suurkaupunkeihin Moskovaan ja Pietariin itäisen Venäjän lisäksi. Tulevaisuudessa suomalaisten kannattaa huomioida mahdollisuudet toimia kiinalaisten kumppaneiden kanssa Venäjän markkinoilla.

Venäjän vienti ulkomaille pysyy lähitulevaisuudessa pienempänä ja kasvua vauhdittaa öljyn ja kaasun vienti. Tämä jättää tilaa Suomen viennille Venäjälle ja myös suomalaisten osallistumiselle Venäjän tuotantoteollisuuden kehittämiseen.

Tämän virallisen tilastomateriaalin julkaisemisen jälkeen Venäjän kansantuote lienee saanut kuopan vuonna 2009 kun taas Intia ja erityisesti Kiina ovat jatkaneet kasvuaan. Kiinan kohdalla on lisäksi huomioitava että dollaritilasto perustuu yuanin ehkä keinotekoisesti aliarvostettuun kurssiin, eli todellinen kansantuote Kiinassa olisi huomattavasti suurempi kuin tässä käyrässä.

Intian ja Kiinan kuluttajatuote markkinoita vertailtaessa kannattaa huomata että vaikka pyramidi on jyrkkä kummassakin maassa niin Kiina on keskimäärin paljon vauraampi. Toisaalta voidaan sanoa että jokainen näistä maista on yksittäiselle suomalaiselle yritykselle rajaton markkina, mutta toisaalta Kiinan suuri asukasluku ja vauraus tekevät siitä pitkällä tähtäimellä erityisen merkittävän kuluttajapuolella jossa hyviä markkinointi ideoita voidaan helposti monistaa.

	INTIA	KIINA	VENÄJÄ
GDP (trillion \$)	\$1,2t	\$5t	\$1,6t
Population	1b	1b	140k
Per capita	\$1k	\$6k	\$15k

Tarun Khanna, Harvard Business School:in professori tiivistää Intian ja Kiinan eron seuraavasti:

“Why is China so much more open to multinationals than India yet vastly less hospitable to its own private entrepreneurs? Why do Indian companies have a far deeper pool of world-class managerial talent than China? Why does the state pervade Chinese business even in the smallest towns, while the key economic catalysts in Indian villages tend to be grassroots self-help groups? And why can Beijing put through sweeping free-market reforms while New Delhi is unable to do so?”

Kaikissa näissä maissa tulevaisuuden merkittävimmät tekijät ovat voimakkaasti kaupungistuva yhteiskunta ja kasvava keskiluokka sekä toimenpiteet ympäristö- ja energiaongelmien ratkaisemiseksi. Maiden taustat ja historia ovat hyvin samanlaisia. Kaikilla on sosialistinen suljetun maan historia joka oli maatalouspainotteinen ja kehitettiin paljon epätehokasta ja saastuttavaa raskasta teollisuutta. Maat ovat ottaneet tavoitteekseen muuttaa teollisuuden länsimaiselle tasolle sekä saattaa liikenne ja rakennuskanta kuntoon. Korkeaa teknologiaa pyritään kehittämään omassa maassa. Oma varsinkin korkean teknologian teollisuutta pyritään suojelemaan tullimuurein ja säännöksiin vaikka muutoin maat ovat avautuneet ja kauppaa vapautettu.

Kasvava kaupungistunut nuori maaltamuuttaja kuluttajakunta, samalla myös aiheuttaa voimakkaita paineita rakentamiseen, jätteiden käsittelyyn, liikenteeseen. Maihin on syntynyt rikas ylempi luokka ja keskiluokka jotka haluavat osta länsimaisia kuluttajatuotteita ja joilla on varaa niihin. Länsimaiset tuotteet ovat tulleet kauppoihin mutta tullien ja rajoitusten takia korkeaan hintaan.

Suomalaisesta näkökulmasta kaikissa näissä maissa on samat mittakaavaongelmat ja niille samat ratkaisut. Maat ja markkinat ovat kymmeniä kertoja suuremmat kuin mihin Suomessa on totuttu. Erojakin tietysti on, ja yhtenä merkittävistä on se että Kiinassa asiakkaat ovat yleensä hyvin isoja kun taas Intiassa löytyy vastapeluriksi myös suomalaisen kokoisia Pk-yrityksiä.

Suomalaisten yritysten kansainvälistyminen tapahtuu pääpiirteittäin koko yrityskantaa katsoen järjestyksessä Venäjä, Kiina, Intia. Tämä tarkoittaa sitä että Venäjä -koulutus ja liiketoimintamallit siellä ovat mallina miten suomalaiset Kiinassa saattavat tulevaisuudessa edetä. Yksittäisillä yrityksillä saattaa olla erilainen lähestymisjärjestys mutta lähimmät maat ja helpommat yhteiskuntajärjestykset yleensä ovat kiinnostavimpia. Kauemmat maat kuten Kiina ja Intia ovat yleensä aina erilaisempia ja riskialttiimpia vaikka markkinoiden koko on huomattavasti suurempi kuin Venäjällä. 'Kiinnostus markkinoihin on käänteisesti verrannollinen etäisyyden neliöön'.

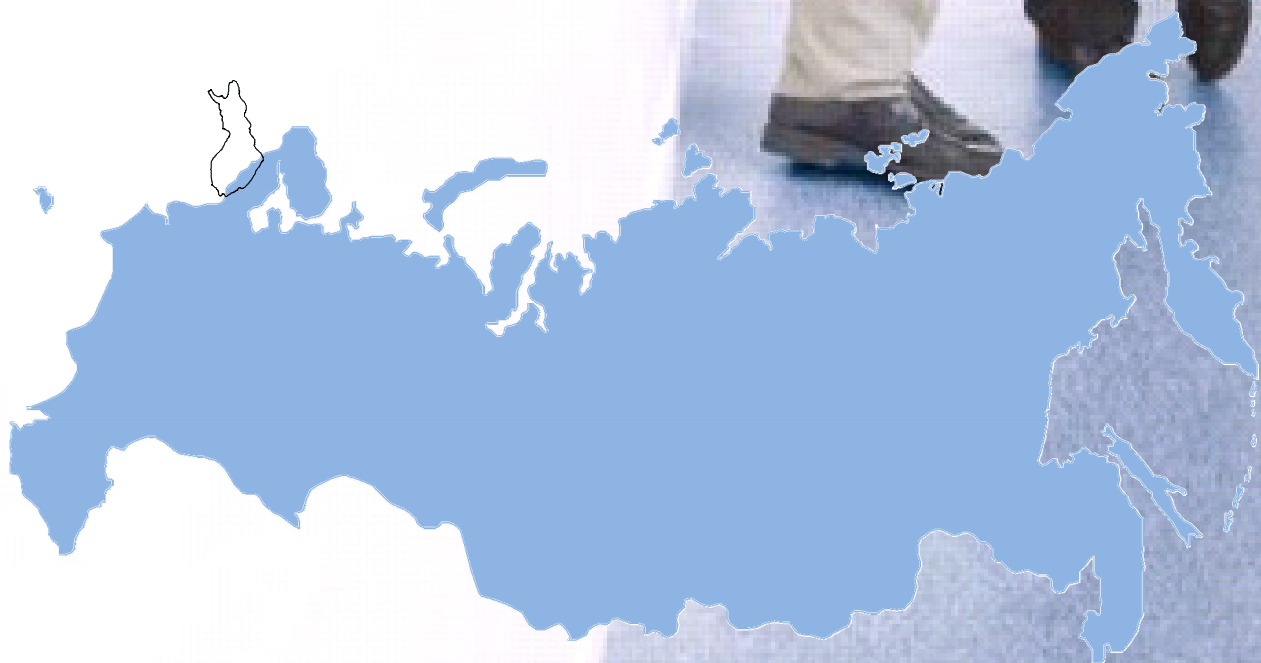
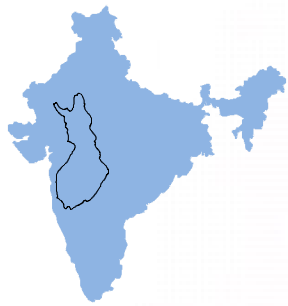
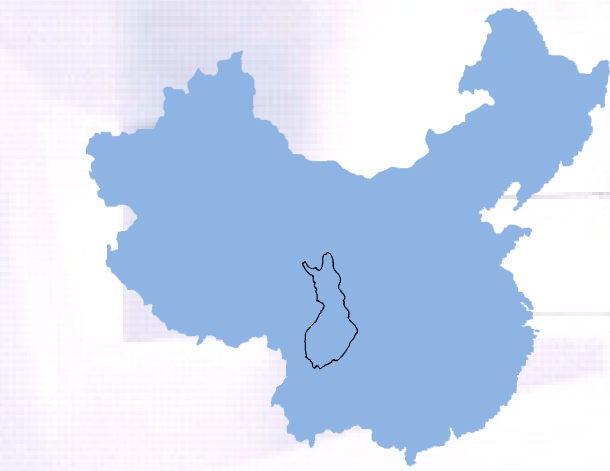
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mukaan lukien Euroopan markkina-alueet. Usein suomalainen yritys olettaa että yritysasiat ovat ulkomailla pääsääntöisesti samalla tavalla kuin Suomessa. Kuitenkin tilanne on se että 'Muut eivät ole erilaisia kuin me suomalaiset vaan me olemme erilaisia kuin muut'.

Hyvin monella alueella liiketoiminnassa auttaisi peruskurssi joka opettaisi kansainvälistä liiketoimintaosaamista niin että painotettaisiin sitä millä tavalla Suomen liike-elämä on erilainen muista maista mukaan lukien länsimaista.

Koulutusta täytyy olla kaiken tasoista alkeista syvälliseen asti. Myös maksukyvyltään erilaisille yrityksille ja yksityishenkilöille olisi löydyttävä kullekin sopiva kurssi. Oppimisen ja verkottumisen kannalta on hyvä jos kurssilla on taustaltaan samantasoisia osallistujia eikä sekoiteta toimitusjohtajia ja myyntipäälliköitä. Pitkä kurssijakso kohdemaassa on paras vaihtoehto oppia käytännön liiketoiminta. Muutaman päivän matkalla saadaan liikekontakteja mutta vasta pidempi noin kuukauden oleskelu synnyttää oikean kuvan toimintaympäristöstä. Kohdemaassa oloon pitää yhdistää "työharjoittelua" niin että paikalla harjoitellaan tekemään oikeita työasioita eikä vain olla liiketuristicina kiertokäynneillä.

Jyrki Pöysti, Finpro



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Title of publication Russia, China, India Foresight for Small and Medium size Enterprises in Uusimaa Changes forecast in the Russian, Chinese and Indian operating environments from the viewpoint of small and middle-sized enterprises in Uusimaa.				
Abstract The report describes those factors of the future that are related to the growth and needs of Russia, China, and India and that may provide significant internationalisation potential for Uusimaa companies. The report examines the emerging trends and market-entry challenges for each country separately. Additionally, it evaluates the training needs of Uusimaa companies in terms of the current offerings available for education on topics related to Russia, China, and India. The report was created via the Delphi method: experts were interviewed, and both Trendwiki material and the latest literature were used to create a summary of experts' views, statements, and reasons behind recent developments. This summary of views was sent back to the experts with the objective of reaching consensus synthesising the differing views or, at least, of providing argumentation for the various alternative lines of development. In addition to a number of outside experts and business leaders, all heads of Finpro's Finland Trade Centers participated in the initial interviews. The summary was commented upon by all Finpro consultants and analysts for Russia, China, and India, with each focusing on his or her own area of expertise. The literature used consisted of reports, listed for each country, and an extensive selection of the most recent newspaper articles. The report was created in January-April 2010. On 22 April 2010 its results were reviewed at the final report presentation in co-operation with the Uusimaa ELY Centre.				
Keywords Internationalisation, foresight, Russia, China, India, Centre for Economic Development, Transport and the Environment for Uusimaa				
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Tiivistelmä Raportissa kuvaillaan Venäjän, Kiinan ja Intian ja kasvuun ja tarpeisiin liittyviä tulevaisuuden tekijöitä, jotka voivat osoittautua merkittäväksi kansainvälistymispotentiaaliksi Uudenmaan yrityksille. Selvityksessä on esitelty erikseen kussakin kohdemaassa esille nousseita trendejä ja markkinoille menoon liittyviä haasteita. Lisäksi arvioidaan mihin uusmaalaisia yrityksiä tulisi valmentaa ottaen huomioon nykyinen Venäjään, Kiinaan ja Intiaan liittyvä koulutus- ja valmennustarjonta. Selvityksen tekemisessä käytettiin Delphi menetelmää siten, että ensin tehtiin kooste asiantuntijoiden näkemyksistä, väitteistä ja kehityksien syistä haastatteleamalla asiantuntijoita ja käyttämällä Trendwikiä sekä uusimpia kirjallisia lähteitä. Tämä kooste näkemyksistä lähetettiin takaisin asiantuntijoille tavoitteena saada erilaiset näkemykset yhdentymään, tai ainakin perustelut mahdollisille erilaisille kehityssuunnille. Alkuhaastattelussa olivat mukana kaikki Finpron vientikeskusten päälliköt sekä muutamia ulkopuolisia asiantuntijoita ja liikemiehiä. Koosteen kommentointiin osallistuivat kaikki Finpron Venäjän, Kiinan ja Intian konsultit ja analyytikot, kukin omalta erikoisalaltaan katsoen. Kirjallisena materiaalina käytettiin kunkin maan kohdalla lueteltuja selvityksiä sekä laajaa joukkoa viimeisimpiä lehtiartikkeleita. Selvitys tehtiin tammikuun-huhtikuun 2010 välisenä aikana. Tuloksia käytiin läpi 22.4.2010 pidetyssä loppuraportointitilaisuudessa Uudenmaan ELY-keskuksen kanssa..				
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Sammandrag <p>I rapporten beskrivs faktorer som gäller tillväxt och behov i framtiden i Ryssland, Kina och Indien och som kan visa sig vara en viktig potential vad gäller internationalisering för företagen i Nyland.</p> <p>I utredningen presenteras separat för varje land olika trender som framträtt och utmaningar i anslutning till en etablering på marknaden.</p> <p>Dessutom görs en bedömning av vad företagen i Nyland borde bli bättre på när man beaktar dagens utbud av utbildning och träning i anslutning till Ryssland, Kina och Indien.</p> <p>Utredningen gjordes med hjälp av Delphi-metoden så att man först gjorde en sammanfattning av experternas synpunkter, uttalanden och orsakerna till utvecklingen genom att intervjua experter och använda sig av Trendwik samt de senaste skriftliga källorna. Denna sammanfattning av åsikter skickades tillbaka till experterna i syfte att få de olika åsikterna att integreras, eller åtminstone få motiveringar för eventuella olika trender. I de inledande intervjuerna deltog samtliga Finpros exportcenterchefer samt några utomstående experter och affärsmän. Alla Finpros konsulter och analytiker för Ryssland, Kina och Indien kommenterade sammandraget, var och en utifrån sitt specialområde. Som skriftligt material användes de uppräknade utredningarna för respektive land samt ett stort urval aktuella tidningsartiklar.</p> <p>Utredningen gjordes under perioden januari-april 2010. Resultaten gicks igenom på ett slutrapporteringsevenemang som hölls i Nylands ELY-central den 22 april 2010.</p>				
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